

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
(SAN FRANCISCO DIVISION)

In re: Case No. 19-30088  
PG&E CORPORATION, Chapter 11  
San Francisco, California  
January 31, 2019  
10:04 a.m.  
Debtor.

TRANSCRIPT OF PROCEEDINGS

1. MOTION OF DEBTORS FOR ENTRY OF ORDER DIRECTING JOINT ADMINISTRATION OF CHAPTER 11 CASE
2. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO MAINTAIN INSURANCE POLICIES, WORKERS' COMPENSATION PROGRAM, AND SURETY BOND PROGRAM AND PAY ALL OBLIGATIONS THERETO; AND (ii) GRANTING RELIEF FROM THE AUTOMATIC STAY WITH RESPECT TO WORKER'S COMPENSATION CLAIMS
3. MOTION OF DEBTORS TO (A) HONOR PRE-PETITION OBLIGATIONS TO NATURAL GAS AND ELECTRICITY EXCHANGE OPERATORS; (B) GRANT ADMINISTRATIVE EXPENSE CLAIMS AND AUTHORIZE POSTING OF COLLATERAL TO EXCHANGE OPERATORS TRADING COUNTER-PARTIES AND FUTURE COMMISSION MERCHANTS; (C) MODIFY THE AUTOMATIC STAY; AND (D) GRANTED RELATED RELIEF
4. APPLICATION OF DEBTORS FOR ORDER APPOINTING JASON P. WELLS AS RESPONSIBLE INDIVIDUAL
5. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO (I) (A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) HONOR CERTAIN PRE-PETITION OBLIGATIONS RELATED TO THE USE THEREOF, (C) CONTINUE INTER-COMPANY ARRANGEMENTS, (D) CONTINUE TO HONOR OBLIGATIONS RELATED TO JOINT INFRASTRUCTURE PROJECTS, AND (E) MAINTAIN EXISTING BANK ACCOUNTS AND BUSINESS FORMS; AND (II) WAIVING THE REQUIREMENTS OF 11 U.S.C. 345(b) [7]
6. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS ESTABLISHING NOTIFICATION PROCEDURES AND APPROVING RESTRICTION ON CERTAIN TRANSFERS OF STOCK OF, AND CLAIMS AGAINST, THE DEBTORS

1 7. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS  
2 (I) AUTHORIZING DEBTORS TO (A) MAINTAIN AND ADMINISTER  
3 CUSTOMER PROGRAMS, INCLUDING PUBLIC PURPOSE PROGRAMS,  
4 AND (B) HONOR ANY PRE-PETITION OBLIGATIONS RELATING  
5 THERETO; AND (II) AUTHORIZING FINANCIAL INSTITUTIONS  
6 TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

7 8. MOTION OF DEBTORS FOR (I) INTERIM AND FINAL AUTHORITY  
8 TO PAY PRE-PETITION OBLIGATIONS OWED TO SHIPPERS,  
9 WAREHOUSEMEN, AND OTHER LIEN CLAIMANTS; AND (II) GRANTING  
10 ADMINISTRATIVE EXPENSE PRIORITY STATUS FOR CLAIMS  
11 ARISING FROM GOODS DELIVERED TO THE DEBTORS POST-PETITION

12 9. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO  
13 (I) PAY PRE-PETITION WAGES, SALARIES, WITHHOLDING  
14 OBLIGATIONS, AND OTHER COMPENSATION AND BENEFITS;  
15 (II) MAINTAIN EMPLOYEE BENEFITS PROGRAMS; AND  
16 (III) PAY RELATED ADMINISTRATIVE OBLIGATIONS

17 10. MOTION OF DEBTORS FOR ENTRY OF ORDER (I) EXTENDING  
18 TIME TO FILE SCHEDULES OF ASSETS AND LIABILITIES AND  
19 STATEMENTS OF FINANCIAL AFFAIRS, AND (II) EXTENDING  
20 TIME TO FILE 2015.3 REPORTS

21 11. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO  
22 PAY CERTAIN PRE-PETITION TAXES AND ASSESSMENTS AND  
23 GRANTING RELIEF

24 12. MOTION OF DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING  
25 THE FILING UNDER SEAL OF THE PROPOSED DEBTOR IN POSSESSION  
FINANCING FEE LETTERS

13 13. MOTION OF DEBTORS FOR ENTRY OF ORDER (I) WAIVING THE  
14 REQUIREMENTS TO FILE LISTS OF CREDITORS AND EQUITY HOLDERS  
15 AND GRANTING RELATED RELIEF; AND (II) AUTHORIZING AND  
16 APPROVING PROCEDURES FOR PROVIDING NOTICE OF THE  
17 COMMENCEMENT OF CHAPTER 11 CASES

18 14. DEBTORS' APPLICATION FOR APPOINTMENT OF PRIME CLERK LLC  
19 AS CLAIMS AND NOTICING AGENT

20 15. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (I)  
21 AUTHORIZING THE DEBTORS TO OBTAIN SENIOR SECURED,  
22 SUPER-PRIORITY, POST-PETITION FINANCING, (II) GRANTING  
23 LIENS AND SUPER-PRIORITY CLAIMS, (III) MODIFYING THE  
24 AUTOMATIC STAY (IV) SCHEDULING FINAL HEARING, AND  
25 (V) GRANTING RELATED RELIEF

16. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY  
TO PAY PRE-PETITION OBLIGATIONS OWED TO CERTAIN SAFETY  
AND RELIABILITY, OUTAGE, AND NUCLEAR FACILITY SUPPLIERS

17. MOTION OF DEBTORS FOR ENTRY OF ORDER AUTHORIZING  
OVERSIZE BRIEFING FOR CERTAIN FIRST-DAY MOTIONS

1 PACIFIC GAS and ELECTRIC  
2 COMPANY,

Case No. 19-30089

Chapter 11

3 Debtor.  
4 \_\_\_\_\_/

TRANSCRIPT OF PROCEEDINGS

5 1. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS (I)  
6 AUTHORIZING THE DEBTORS TO MAINTAIN INSURANCE POLICIES,  
7 WORKERS' COMPENSATION PROGRAM, AND SECURITY BOND PROGRAM  
8 AND PAY ALL OBLIGATIONS WITH RESPECT THERETO; AND

9 (II) GRANTING RELIEF FROM THE AUTOMATIC STAY WITH  
10 RESPECT TO WORKERS' COMPENSATION CLAIMS

11 2. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO  
12 (I) PAY PRE-PETITION WAGES, SALARIES, WITHHOLDING  
13 OBLIGATIONS, AND OTHER COMPENSATION AND BENEFITS;

14 (II) MAINTAIN EMPLOYEE BENEFITS PROGRAM; AND

15 (III) PAY RELATED ADMINISTRATIVE OBLIGATIONS

16 3. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO

17 (I) (A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM,

18 (B) HONOR CERTAIN PRE-PETITION OBLIGATIONS RELATED TO THE  
19 USE THEREOF, (C) CONTINUE INTER-COMPANY ARRANGEMENTS,

20 (D) CONTINUE TO HONOR OBLIGATIONS RELATED TO JOINT  
21 INFRASTRUCTURE PROJECTS, AND (E) MAINTAIN EXISTING

22 BANK ACCOUNTS AND BUSINESS FORMS; AND (II) WAIVING THE  
23 REQUIREMENTS OF 11 U.S.C. 345(b)[7]

24 4. MOTION OF DEBTORS TO (A) HONOR PRE-PETITION OBLIGATIONS  
25 TO NATURAL GAS AND ELECTRICITY EXCHANGE OPERATORS,

(B) GRANT ADMINISTRATIVE EXPENSE CLAIMS AND AUTHORIZE

POSTING OV COLLATERAL TO EXCHANGE OPERATORS TRADING

COUNTER-PARTIES, AND FUTURE COMMISSION MERCHANTS,

(C) MODIFY THE AUTOMATIC STAY, AND (D) GRANT RELATED RELIEF

5. MOTION OF DEBTORS FOR ENTRY OF ORDER (I) EXTENDING

TIME TO FILE SCHEDULES OF ASSETS AND LIABILITIES AND

STATEMENTS OF FINANCIAL AFFAIRS, AND (II) EXTENDING

TIME TO FILE 2015.3 REPORTS

6. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS

(I) AUTHORIZING DEBTORS TO (A) MAINTAIN AND ADMINISTER  
CUSTOMER PROGRAMS, INCLUDING PUBLIC PURPOSE PROGRAMS, AND

(B) HONOR ANY PRE-PETITION OBLIGATIONS RELATING THERETO;

AND (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR

AND PROCESS RELATED CHECKS AND TRANSFERS

7. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS

(I) AUTHORIZING THE DEBTORS TO OBTAIN SENIOR SECURED,  
SUPER-PRIORITY, POST-PETITION FINANCING, (II) GRANTING

LIENS AND SUPER-PRIORITY CLAIMS, (III) MODIFYING THE

AUTOMATIC STAY, (IV) SCHEDULING FINAL HEARING; AND

(V) GRANTING RELATED RELIEF

- 1 8. MOTION OF DEBTORS FOR ENTRY OF ORDER (I) WAIVING THE  
2 REQUIREMENTS TO FILE LISTS OF CREDITORS AND EQUITY  
3 HOLDERS AND GRANTING RELATED RELIEF; AND (II) AUTHORIZING  
4 AND APPROVING PROCEDURES FOR PROVIDING NOTICE OF THE  
5 COMMENCEMENT OF CHAPTER 11 CASES
- 6 9. DEBTORS' APPLICATION FOR APPOINTMENT OF PRIME CLERK LLC  
7 AS CLAIMS AND NOTICING AGENT
- 8 10. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY TO  
9 PAY CERTAIN PRE-PETITION TAXES AND ASSESSMENTS  
10 AND GRANTING RELATED RELIEF
- 11 11. MOTION OF DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING  
12 THE FILING UNDER SEAL OF THE PROPOSED DEBTOR IN POSSESSION  
13 FINANCING FEE LETTERS
- 14 12. MOTION OF DEBTORS FOR ENTRY OF ORDER AUTHORIZING  
15 OVERSIZE BRIEFING FOR CERTAIN FIRST-DAY MOTIONS
- 16 13. MOTION OF DEBTORS FOR (I) INTERIM AND FINAL AUTHORITY  
17 TO PAY PRE-PETITION OBLIGATIONS OWED TO SHIPPERS,  
18 WAREHOUSEMEN, AND OTHER LIEN CLAIMANTS, AND (II)  
19 GRANTING ADMINISTRATIVE EXPENSE PRIORITY STATUS FOR  
20 CLAIMS ARISING FROM GOODS DELIVERED TO THE DEBTORS  
21 POST-PETITION
- 22 14. MOTION OF DEBTORS FOR INTERIM AND FINAL AUTHORITY  
23 TO PAY PRE-PETITION OBLIGATIONS OWED TO CERTAIN  
24 SAFETY AND RELIABILITY, OUTAGE, AND NUCLEAR  
25 FACILITY SUPPLIERS
- 15 15. MOTION OF DEBTORS FOR INTERIM AND FINAL ORDERS  
16 ESTABLISHING NOTIFICATION PROCEDURES AND APPROVING  
17 RESTRICTIONS ON CERTAIN TRANSFERS OF STOCK OF,  
18 AND CLAIMS AGAINST, THE DEBTORS
- 19 16. MOTION OF DEBTORS FOR ENTRY OF ORDER AUTHORIZING  
20 OVERSIZE BRIEFING FOR CERTAIN FIRST-DAY MOTIONS
- 21 17. MOTION OF DEBTORS FOR ENTRY OF ORDER DIRECTING  
22 JOINT ADMINISTRATION OF CHAPTER 11 CASES

BEFORE THE HONORABLE DENNIS MONTALI  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtors: KELLER & BENVENUTTI LLP  
BY: TOBIAS S. KELLER, ESQ.  
(Not Appearing)  
JANE KIM, ESQ. (Appearing)  
650 California Street, Suite 1900  
San Francisco, California 94108

## 1 APPEARANCES (CONTINUED):

2  
3 For the Debtors: WEIL GOTSHAL & MANGES, LLP  
4 BY: STEPHEN KAROTKIN, ESQ.  
5 THEODORE TSEKERIDES, ESQ.  
6 JESSICA LIOU, ESQ.  
7 MATTHEW P. GOREN, ESQ.  
8 767 Fifth Avenue  
9 New York, New York 10153

10 Proposed Counsel for CRAVATH, SWAINE & MOORE  
11 Debtors: BY: PAUL H. ZUMBRO, ESQ.

12 For the U.S. Trustee: OFFICE OF THE U.S. TRUSTEE  
13 BY: LYNETTE KELLY, ESQ.  
14 450 Golden Gate Avenue  
15 San Francisco, California 94102

16 For Plaintiffs' Co- SKIKOS, CRAWFORD, SKIKOS & JAMES  
17 Liaison in State Court: BY: STEVEN J. SKIKOS, ESQ.  
18 1 Sansome Street, Suite 2830  
19 San Francisco, California 94104

20 For Bank of America: PILLSBURY WINTHROP SHAW PITTMAN  
21 LLP  
22 BY: MALCOLM DAVID MINNICK, ESQ.  
23 P. O. Box 2824  
24 San Francisco, California 94126

25 For creditors, FINESTONE HAYES, LLP  
26 Roebbelen Contracting, BY: JENNIFER HAYES, ESQ.  
27 Aggreko, Nor-Cal, and 456 Montgomery Street, 20<sup>th</sup> Floor  
28 MCE Corporation: San Francisco, California 94104

29 For Holt of California: PONIATOWSKI LEDING PARIKH PC  
30 BY: MARK D. PONIATOWSKI, ESQ.  
31 20980 Redwood Road, Suite 200  
32 Castro Valley, California 94546

1 APPEARANCES (CONTINUED):

2 For Turner Construction: SEYFARTH SHAW LLP  
3 BY: MICHAEL RYAN PINKSTON, ESQ.  
4 560 Mission Street, Suite 3100  
5 San Francisco, California 94105

6 For Bondholders: PROSKAUER ROSE, LLP  
7 BY: STEVE Y. MA, ESQ.  
8 2029 Century Park East Suite 2400  
9 Los Angeles, California 90067

10 For Fire Victims: COREY LUZAICH DeGHETALDI & RIDDLE  
11 BY: DARIO DeGHETALDI, ESQ.  
12 AMANDA RIDDLE, ESQ.  
13 700 El Camino Real  
14 Millbrae, California 94030

15 For the CPUC: PAUL, WEISS, RIFKIND, WHARTON &  
16 GARRISON  
17 BY: ALAN W. KORNBERG, ESQ.

18 For Public Entities: STUTZMAN BROMBERG ESSERMAN &  
19 PLOIFKA  
20 BY: SANDER L. ESSERMAN, ESQ.  
21 2323 Bryan Street, Suite 2200  
22 Dallas, Texas 75201

23 For Fire Victims: WALKUP MELODIA  
24 BY: KHALDOUN BAGHDADI, ESQ.

25 COTCHETT PITRE & McCARTHY  
BY: FRANK M. PITRE, ESQ.  
840 Malcolm Rd. Suite 200  
Burlingame, California 94010

MARY E. ALEXANDER & ASSOCIATES  
BY: MARY E. ALEXANDER, ESQ.  
44 Montgomery Street #1303  
San Francisco, California 94104

1 APPEARANCES (CONTINUED):  
2  
3 For Fire Victims: VICTOR VILAPIANA, ESQ.  
4 TOM TOSDAL, ESQ.  
5  
6 (Appearing Telephonically)  
7  
8 For Subrogation Claim WILKIE FARR & GALLAGHER  
9 Holders: BY: MATTHEW A. FELDMAN, ESQ.  
10  
11 For Unsecured MILLBANK TWEED HADLEY AND McCOY  
12 Bondholders: BY: DENNIS DUNE, ESQ.  
13  
14 For Equity Holders: JONES DAY  
15 BY: BRUCE BENNETT, ESQ.  
16 250 Vesey Street  
17 New York, New York 10281  
18  
19 For ChargePoint, Inc.: BINDER AND MALTER  
20 BY: ROBERT HARRIS, ESQ.  
21 2775 Park Avenue  
22 Santa Clara, California 95050  
23  
24 For State Agencies: FELDERSTEIN FITZGERALD WILLOUGHY  
25 AND PASCUZZI  
BY: PAUL J. PASCUZZI, ESQ.  
400 Capitol Mall, Suite 1750  
Sacramento, California 95814  
  
For Sonoma Clean ENGEL ADVICE, LLC  
Power Authority: BY: GEORGE LARRY ENGEL, ESQ.  
12116 Horseshoe Lane  
Nevada City, California 95959  
  
For International LOCKE LORD  
Brotherhood of BY: BRAD KNAPP, ESQ.  
Electrical Workers:

1 APPEARANCES (CONTINUED) :

2

3 For FERC:

UNITED STATES DEPARTMENT OF  
JUSTICE

3

BY: MARCUS S. SACKS, ESQ.

4

P.O. Box 875

4

Benjamin Franklin Station

5

Washington, D.C. 20044

5

6

(Appearing Telephonically)

6

7

8 For Next Era:

KLEE, TUCHIN, BOGDANOFF & STERN

8

BY: KENNETH KLEE, ESQ.

8

DAVID STERN, ESQ.

9

1999 Avenue of the Stars 30<sup>th</sup> Floor

9

Los Angeles, California 90067

10

10

11

11 For Con Ed:

TROUMAN SANDERS LLP

12

BY: HUGH M. McDONALD, ESQ.

12

875 Third Avenue

13

New York, New York 10022

13

14

14 For Cal Pine:

KIRKLAND AND ELLIS

15

BY: MARK MCCAIN

15

16

16

17

17 For JP Morgan Chase:

STROOK and STROOK and LAVAN LLP

18

BY: KRISTOPHER M. HANSEN, ESQ.

18

2029 Century Park East, 18<sup>th</sup> Floor

19

Los Angeles, California 90067

19

20

20 For California Self-

NIXON PEABODY LLP

21

Insurers' Fund:

BY: RICHARD C. PEDONE, ESQ.

21

Exchange Place

22

53 State Street

22

Boston, Massachusetts 02107

23

23

24

24

25

25



1 APPEARANCES (CONTINUED):

2

3 Court Recorder:

4 JANE GALVANI  
5 UNITED STATES BANKRUPTCY COURT  
6 450 Golden Gate Avenue  
7 San Francisco, California 94102

8

9 Transcription Service:

10 Jo McCall  
11 Electronic Court  
12 Recording/Transcribing  
13 2868 E. Clifton Court  
14 Gilbert, Arizona 85295  
15 Telephone: (480) 361-3790

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

## P R O C E E D I N G S

January 31, 2019

10:04 a.m.

---oOo---

COURTROOM DEPUTY: All rise. The court is now in session, The Honorable Dennis Montali presiding.

THE COURT: Good morning, everyone.

ALL COUNSEL: Good morning.

THE COURT: Please be seated. Sorry about the slight delay. Let me make a couple of preliminary announcements. One announcement is, if someone in the back of the room doesn't hear me because I'm close or not close to the microphone, please wave your hand. I'll try to stay close.

I won't go through the same introductions and comments that I made on Tuesday, but I will just remind everyone of a couple of points, and for people who were not here on Tuesday, this is a reminder of what are the rules here. We cannot record this proceeding, or you may not record it by a cell phone or a laptop or any other magic, and if that takes place, we'll have to ask the court security officer to remove any such device. But each day during the PG&E case, we will upload an audio transcript onto the public docket in the evening, so people who want to follow what took place will be able to listen to that as long as they have a PACER account.

1           During the course of the presentation today, I  
2 want speakers to come to the center podium and identify  
3 yourself and if you are, as most of the speakers I'm sure  
4 will be, acting as counsel, please identify your clients,  
5 and later in the morning, if I allow and when I allow  
6 comments from people who are on their own, I'll certainly  
7 understand that.

8           We also have been able to arrange for our  
9 overflow courtroom next-door that -- (the recorder is  
10 malfunctioning) -- what's happening? Is it doing it now?  
11 No. Okay. We've arranged in the overflow courtroom for  
12 people to speak at the podium also and we have a video feed  
13 on that. So when we are going through the motions on the  
14 calendar this morning -- (laughing) going through the  
15 motions -- going through the matters that are here for  
16 action, I will recognize counsel who want to be heard on  
17 those motions, and I'll just do my best to recognize them  
18 if they're either in our primary courtroom or in the  
19 overflow courtroom.

20           (Recorder feedback resumes)

21 Can we do anything about that feedback?

22           (Pause.)

23           Okay. Well -- do you think if I turn this  
24 speaker off, it'll matter? All right. I'm going to  
25 continue to hope that this isn't going to happen again.

1 All right. Here's the agenda that I wish to follow, and  
2 the counsel for the Debtors were very helpful in putting  
3 forth an agenda. I'm going to tweak it a little bit. As I  
4 said on Tuesday, I'm going to ask principal counsel for the  
5 Debtors to make some kind of an opening statement, whether  
6 it's short or long I'm going to let them be the judge, but  
7 just an overview of where things are going.

8           Then after that, I intend to go down the more  
9 formal agenda of the various motions that the Debtors have  
10 filed. You will recall the other day that I said there  
11 were 17 of them. I'm still counting 17, and I'm sure a  
12 couple of them are non-controversial, but I'm sure others  
13 will attract a lot of attention from people. I'm mindful  
14 that a number of parties have filed objections under the  
15 tight schedule we set forth, and I and counsel for the  
16 Debtors will do our best to keep track of those, but when  
17 your name is called or the matter is up and you want to  
18 present yourself and make your argument, please understand  
19 that in some of the written objections, we just haven't had  
20 a chance to absorb them all.

21           Now, even though we started only a couple minutes  
22 late, my plan is to go through the motions in whatever  
23 number we can get out of the way, and I'll ask counsel for  
24 the Debtors to suggest -- see if there's an agreement on  
25 which ones to take when. But I'm going to plan that at

1 about 11:30 this morning, we'll take a personal convenience  
2 break for a few minutes, and then after that, I will allow  
3 people who are here and want to be heard generally to talk.  
4 I don't have an absolute rule about how much time they'll  
5 be allowed, but I'm going to tell you that if you're  
6 speaking and expressing your views about things, I expect  
7 you to be brief; I expect you to tell me what you want to  
8 say; and I will do my best to listen, but we don't  
9 intend -- I and I don't expect the lawyers for the Debtors  
10 to respond in any meaningful way -- I don't mean to say  
11 that they're going to ignore you, but anything you may have  
12 to say is just simply not an action item for today, and I'm  
13 very mindful -- many of you who have been following either  
14 in the media or otherwise about what's going on upstairs in  
15 the District Court, and that's upstairs in the District  
16 Court. So to the extent that any people want to express  
17 their views on how they think the court ought to respond or  
18 deal with those, please do not take time to repeat those  
19 comments in this court. This is a Bankruptcy Court dealing  
20 with civil matters and particularly in the matters that  
21 we're talking about.

22           And then I will permit the comments from anyone  
23 who wants to be heard until around 12:30, and then we'll  
24 take at least an hour break for everyone's convenience, and  
25 depending upon how many -- and, you know, I'm being overly

1 optimistic perhaps -- that maybe we'll be through the  
2 motions, but maybe we won't, and when we resume, I will  
3 then pick up the discussion of the motions, and when the  
4 motions are done, depending upon the time if there's still  
5 a need to listen to public comments, I'll be happy to let  
6 them be presented.

7           For some of the motions they are routine, and  
8 experienced lawyers are familiar with how these happen, and  
9 to the extent that a motion either is uncontested or  
10 contested but I overrule, then objection and that'll be the  
11 end of it. I will presumably grant or grant with a  
12 modification the motion. There may be some that based upon  
13 the objections or comments, I will simply take them under  
14 advisement, meaning I will not issue an order orally this  
15 morning or this afternoon, but do my best to act as quickly  
16 as necessary on any particular motions.

17           Mr. Karotkin, are you going to make the  
18 presentation?

19           MR. KAROTKIN: Yes, sir.

20           THE COURT: Are you comfortable with kind of going  
21 through the administrative ones that are sort of routine or  
22 is it important for you to change the sequence?

23           MR. KAROTKIN: May I approach?

24           THE COURT: Oh sure, by all means. Yeah. I mean  
25 I'm going to invite you to make your statements too, but I

1 just wanted to see if you're okay with kind of getting the  
2 housekeeping out of the way. Any problem with that?

3 MR. KAROTKIN: No, sir.

4 THE COURT: Okay. All right. Well then, I'm  
5 going to let you make whatever statement, or if you or any  
6 of the other co-counsel are going to be making any kind of  
7 general -- what I'll call the Opening Statement -- I invite  
8 you to do so.

9 MR. KAROTKIN: You would like me to do that before  
10 we get to the --

11 THE COURT: Yeah.

12 MR. KAROTKIN: Yeah, okay.

13 THE COURT: Well, I mean again, are you okay with  
14 that?

15 MR. KAROTKIN: Yes.

16 THE COURT: You know I've doing all the talking.

17 MR. KAROTKIN: I'm okay with it.

18 THE COURT: I want to let you do it now.

19 MR. KAROTKIN: I'm okay with anything you say,  
20 sir.

21 THE COURT: Really?

22 (Laughter.)

23 THE COURT: All right. I'll see you next week.

24 (Laughter.)

25 THE COURT: You can stay here where it's nice and

1 warm. We don't want to send you back to whatever the  
2 temperature is in New York City. All right. Please, go  
3 ahead.

4 OPENING STATEMENT

5 BY MR. KAROTKIN:

6 Thank you, Your Honor, Stephen Karotkin of Weil  
7 Gotshal and Manges for the Debtors. I thought I had some  
8 influence with the Utility, Your Honor, to get the air  
9 conditioning fixed, but apparently that didn't work today  
10 either.

11 THE COURT: It's doing a little better. We took  
12 that with GSA, you know. This isn't our air conditioning  
13 system.

14 MR. KAROTKIN: Okay. And thank you for scheduling  
15 the hearing today. As we mentioned the other day, we  
16 appreciate seeing you on this expedited schedule. You've  
17 already been introduced to the attorneys who will be  
18 appearing today on behalf of the Debtors, and I introduced  
19 you to Ms. Loduca, the interim general counsel for PG&E and  
20 Jason Wells, the senior vice president, both of whom are  
21 here today.

22 As stated, Your Honor, in Mr. Wells' declaration  
23 filed in connection with the Chapter 11 petitions, the  
24 Debtors' decision to seek relief under Chapter 11 followed  
25 a comprehensive review of a variety of factors in the



1 context of the circumstances facing the Debtors at the  
2 time. As a consequence of the catastrophic and tragic  
3 wildfires that occurred in Northern California in 2017 and  
4 2018, the Debtors were faced with a multitude of pending  
5 claims and literally thousands of claims yet to be filed.

6 As of the middle of January, Your Honor, there  
7 were 700 complaints filed on behalf of thirty-six hundred  
8 plaintiffs as to the 2017 Northern California wildfires, 41  
9 insurance subrogation complaints and a number of claims  
10 filed by governmental agencies.

11 As to the recent Camp fire in November, already  
12 50 complaints on behalf of 2,000 plaintiffs have been filed  
13 with only three months having elapsed since that fire. No  
14 doubt thousands of claims will be asserted in view of the  
15 fact that there were 86 fatalities and the destruction of  
16 nearly 14,000 residences, 528 commercial buildings, and  
17 nearly forty-three hundred other structures. Under these  
18 circumstances, Your Honor, with the potential liabilities  
19 involved, all exacerbated by the doctrine of inverse  
20 condemnation in the State of California that imposes strict  
21 liability regardless of negligence and regardless of  
22 whether PG&E was negligent, if its equipment caused the  
23 fire, it became abundantly clear that PG&E could not access  
24 the capital necessary to address and resolve the wildfires  
25 already asserted and to be asserted in the State Court

1 system over the next several months and years, could not  
2 access the capital necessary to continue to operate its  
3 business and provide reliable utility service to 16 million  
4 customers, could not access the capital necessary to  
5 properly invest in its business, in its infrastructure and  
6 in critical safety initiatives to mitigate future wildfire  
7 risk, and could not access the necessary capital, Your  
8 Honor, to service its approximately 23 billion dollars of  
9 outstanding debt.

10           Simply stated, Your Honor, under those  
11 circumstances, there was no feasible way for PG&E to  
12 finance its way through the years of litigation and the  
13 resolution of claims in the State Court system, and at the  
14 same time properly invest and operate its business.  
15 Chapter 11, Your Honor, is the only viable alternative to  
16 restore PG&E's financial stability and to fairly address  
17 the wildfire claims and assure that the company has access  
18 to sufficient capital to operate its business.

19           And of course, Your Honor, everyone is aware and  
20 there has been much written about Cal Fire's recent report  
21 last Thursday with respect to the Tubbs fire, and Cal  
22 Fire's finding that PG&E's equipment was not the cause of  
23 the Tubbs fire, and that perhaps, Your Honor, because of  
24 that report, we would not be here before you today. The  
25 fact is, however, the comprehensive analysis undertaken by

1 PG&E and its Board in deciding to seek relief under Chapter  
2 11 fully took into account PG&E's longstanding belief that  
3 its facilities did not cause the Tubbs fire. Despite Cal  
4 Fire's finding, PG&E still faces the same liquidity issues;  
5 it still faces the thousands of pending claims with respect  
6 to the other 2017 fires, and it will still face the  
7 thousands more claims that will be asserted with respect to  
8 the Camp fire.

9           Moreover, Your Honor, the plaintiff lawyers have  
10 made it abundantly clear that they believe they have other  
11 theories of liability to hold PG&E responsible for the  
12 Tubbs fire, and there is no reason to believe that they  
13 will be dropping their lawsuits with respect to those  
14 claims.

15           I want to emphasize, as Mr. Wells emphasized in  
16 his declaration that the filing of these cases is not a  
17 strategic ploy to avoid PG&E's responsibility for the  
18 devastating damage and loss of life sustained as a result  
19 of the 2017 and 2018 California wildfires. The objectives,  
20 Your Honor, of these cases and what we hope to accomplish  
21 is precisely the opposite. PG&E believes the Chapter 11  
22 cases will promote the fair orderly and expeditious  
23 resolution of PG&E's wildfire liability, in fact, more  
24 equitably and more quickly than most liabilities could be  
25 addressed in the tort system. PG&E also believes that the

1 Chapter 11 cases will restore PG&E's financial stability  
2 and as I said, assure it has access to the capital  
3 necessary to invest in its infrastructure and run its  
4 operations. Third, we believe the Chapter 11 cases will  
5 enable PG&E to continue its extensive restoration and  
6 rebuilding efforts to assist the communities affected by  
7 both the 2017 and 2018 Northern California wildfires, and  
8 fourth, during the administration of these cases, Your  
9 Honor, the Debtors intend to work together with the CPUC  
10 and State policy makers to address safety and structural  
11 reforms and to build systems to provide safe and reliable  
12 service to PG&E's customers for the long term.

13 I can assure you of one thing, Your Honor, that  
14 unlike PG&E's prior Chapter 11 case, these Debtors are  
15 committed to work collaboratively with the CPUC and achieve  
16 a successful reorganization.

17 THE COURT: You don't think they were  
18 collaboratively engaged 18 years ago?

19 (Laughter.)

20 MR. KAROTKIN: I wasn't here 18 years ago, but  
21 from what I heard, I don't think so.

22 THE COURT: I still have the boxing gloves bronzed  
23 in my chambers.

24 (Laughter.)

25 MR. KAROTKIN: I think Mr. Kornberg is too old to

1 fight this year.

2 THE COURT: I know. I know. I told you he was  
3 one of the veterans.

4 MR. KAROTKIN: Your Honor, the Debtors also  
5 believe that these cases in the Chapter 11 process will  
6 provide the necessary catalyst to address the significant  
7 increase in wildfire risks in an environment severely  
8 challenged by climate change.

9 As we've noted, Your Honor, PG&E could have  
10 accessed secured debt to temporarily extend its runway  
11 outside of Chapter 11, but kicking the can down the road  
12 would not have addressed the fundamental issues facing  
13 PG&E. That path, Your Honor, was a dead end in the State  
14 Court system. It was not a feasible way to address and  
15 resolve the claims and maintain adequate liquidity to  
16 operate the business. In that context, Your Honor, I would  
17 note that piling on secured debt that would have the effect  
18 of subordinating the wildfire claims and the capital stack  
19 was not a path that PG&E or its Board was willing to take.

20 THE COURT: Am I correct, though, the proposed  
21 financing does take a situation that's generally unsecured  
22 and a layer of substantial secured debt on the Debtor.

23 MR. KAROTKIN: Precisely, Your Honor, but --

24 THE COURT: That's what it is, right? I mean that  
25 could happen anywhere.

1           MR. KAROTKIN: Again, but the way we saw that,  
2 Your Honor, is that if we incurred additional secured debt,  
3 we'd be here six or nine months from now with another five  
4 and a half million piled on top of the wildfire claimants,  
5 and we didn't think that was appropriate. It's not a  
6 solution.

7           THE COURT: Billion, not million.

8           MR. KAROTKIN: Billion, sorry. Thank you, sir.  
9 And the most recent financing proposals sent to the Debtors  
10 by various funds were both extremely costly and not  
11 surprisingly, Your Honor, quite economically attractive to  
12 those making the proposals. Unlike those entities, Your  
13 Honor, the Debtors are charged with the duty to represent  
14 the interests of all economic stakeholders, and that is  
15 what we intend to do during this process.

16           The Chapter 11 cases provide the opportunity for  
17 all wildfire claims to be addressed in one forum and to be  
18 addressed comprehensively. Their pari passu status, and  
19 PG&E's other pre-petition debt including 23 billion dollars  
20 approximately of funded debt is preserved, and moreover,  
21 Your Honor, it avoids the real risk, outside of Chapter 11,  
22 that due to PG&E's financial stress, those wildfire claims  
23 dealt with earlier in the process in the State Court system  
24 will fare much better than those addressed later in the  
25 State Court system. Your Honor, we know these cases are

1 large. There are many interested parties, but we hope to  
2 move through this process as expeditiously as possible. We  
3 now have a centralized forum to work with all  
4 constituencies, wildfire claimants, other pre-petition  
5 creditors, shareholders, the CPUC, the communities, policy  
6 makers from the State to achieve a comprehensive solution  
7 that treats all parties fairly and equitably while assuring  
8 that this company can continue to serve its 16 million  
9 customers.

10 We think, Your Honor, that the dynamics of  
11 Chapter 11 will facilitate negotiations among the core  
12 group of claimants and other parties for a global  
13 resolution of the aggregate wildfire liabilities to be  
14 addressed in a Plan of Reorganization. Discussions, Your  
15 Honor, with the core group of claimants' lawyers, the  
16 subrogation claimants, the attorneys representing the  
17 communities, and the attorneys representing the other  
18 plaintiffs have already commenced, and at the appropriate  
19 time, we would anticipate bringing the CPUC and the State  
20 and other parties into the process.

21 The ultimate goal, Your Honor, in Chapter 11  
22 would be to establish a trust under a Plan of  
23 Reorganization to which all of the wildfire claims would be  
24 channeled and resolved. That trust could be funded in a  
25 number of ways and would also include claims resolution

1 procedures to be adopted in connection with the  
2 establishment of the trust under the Plan of  
3 Reorganization, and that would, we expect, Your Honor,  
4 create expedited payments to wildfire claimants, again,  
5 much faster than most claimants would receive distributions  
6 in the State Court system. And that is our goal, and we  
7 are confident that we can move forward with that in an  
8 expeditious manner, and we look forward to working with all  
9 the other constituencies to achieve that goal.

10 I'm happy to briefly go through the capital  
11 structure of the Debtors just to give you some background,  
12 if you'd like.

13 THE COURT: If you think it's helpful. I mean you  
14 can make whatever preliminary statements you want, so feel  
15 free if you think it's important. I think I'm somewhat  
16 educated on all this, but --

17 MR. KAROTKIN: Let me just make a few brief  
18 comments.

19 THE COURT: -- there's a lot of people that are  
20 not, and your comments are quite helpful.

21 MR. KAROTKIN: Okay. Thank you. A few brief  
22 comments: Obviously, PG&E Corporation is the holding  
23 company. It owns all of the common stock of Pacific Gas  
24 and Electric Corporation which is the operating utility.  
25 The pre-petition debt, Your Honor, of the Debtors consists



1 of an unsecured revolving credit agreement at the holding  
2 company which is fully drawn in the outstanding amount of  
3 300 million dollars. There is also an unsecured revolving  
4 credit facility at the Utility with approximately 2.9  
5 billion outstanding, again unsecured, and those obligations  
6 are not cross-guaranteed.

7           The holding company has an unsecured 350 million  
8 dollar term loan, and the utility has a 250 million dollar  
9 outstanding term loan, again, Your Honor, no cross-  
10 guaranties. There are approximately seventeen and a half  
11 billion dollars of unsecured notes outstanding at the  
12 Utility level, again not guaranteed by the parent, and the  
13 Utility has various issues of tax-exempt pollution control  
14 bonds in the aggregate amount of approximately 860 million  
15 dollars, 760 million of which are backed by letters of  
16 credit with reimbursement obligations that are unsecured.  
17 As of the petition date, there's approximately 2.1 billion  
18 dollars of trade debt, and of course, there are the  
19 wildfire liabilities in an unliquidated amount. And I  
20 would note that, Your Honor, all of the funded debt is  
21 unsecured as I mentioned. The trade debt is largely  
22 unsecured, and of course, the wildfire liabilities are  
23 unsecured.

24           THE COURT: Do your protections include claims  
25 that might come out of rejection claims, rejection damages?

1 I mean you don't -- typically those aren't booked as  
2 liabilities.

3 MR. KAROTKIN: No. This does not include  
4 rejection then, and if it does, our rejection damage  
5 claims --

6 THE COURT: But if there are Motions to Reject, it  
7 would mean increase of the claims.

8 MR. KAROTKIN: It would, and I would note, Your  
9 Honor, that despite what's been written in the newspapers,  
10 there are not any motions on file at this time to reject  
11 any power purchase agreements --

12 THE COURT: No, I'm aware of that. I'm aware of  
13 that.

14 MR. KAROTKIN: -- or any other contracts and  
15 there is no current intention to file any of those motions  
16 in the immediate future. Those will be evaluated as the  
17 case progresses, and of course in consultation with the  
18 official committees that are appointed.

19 THE COURT: Okay.

20 MR. KAROTKIN: And unless you have any  
21 questions --

22 THE COURT: No. That's fine. And again, I'm not  
23 going to turn this open for questions of you because that's  
24 not the plan here today. There will be an opportunity  
25 either in the media or private consultations. People who

1 want to talk to you or others are free to do that. I'm not  
2 going to make it part of the agenda here. I told you I  
3 want to go through the administrative motions first, but I  
4 have one sort of overriding question that is not on the  
5 agenda, but I want to get your views on it, and that is,  
6 under our rules, which I think are somewhat different from  
7 many courts in the country, we have a very quick claims bar  
8 date automatically imbedded in the rules, and as I recall,  
9 even in PG&E One, we use a very early date. I'm more  
10 inclined to go the other way in this case, and so we don't  
11 have to have a decision on it today, but I'd like to make  
12 sure it's on your agenda to take up with the U.S. Trustee  
13 or any committee, but it would be my sense that we should  
14 be much more going the other way on a claims bar date.  
15 So --

16 MR. KAROTKIN: Yes. We totally agree with that.

17 THE COURT: Okay.

18 MR. KAROTKIN: And we've already had some  
19 preliminary discussions with some of the attorneys  
20 representing the plaintiffs in order to discuss with them  
21 the most efficient way to address that process,  
22 particularly because of all the individuals involved.

23 THE COURT: Great. That's all I need to hear on  
24 that subject. So shall we go through the motions, the  
25 formal motions? (Laughing) We can go through all kinds of

1 motions, but let's go through the formal motions.

2 MR. KAROTKIN: Sure

3 THE COURT: Does that work?

4 MR. KAROTKIN: Yes.

5 THE COURT: And I would request that we take the  
6 joint administration motion first, and then I'm going to  
7 let you pick whatever you want, because there are a couple  
8 of tweaks that I want to raise from the Clerk's side of our  
9 end of it. You've gotten some objections from one group of  
10 bond holders. You're aware of that -- not bond holders,  
11 excuse me -- yeah, Institution of Bondholders, excuse me.  
12 Are you familiar with that one?

13 MR. KAROTKIN: Yeah. I am familiar with it, and  
14 as I say, that's a first for me.

15 THE COURT: Well, I wonder if that's an issue. I  
16 mean we can resolve the issue. Well, as you know, the  
17 Ninth Circuit came down with a decision that some lawyers,  
18 you know, are concerned about, and as I read the objection  
19 from the ad hoc group, which unless I'm not aware of what  
20 else has been filed, that's the only objection.

21 MR. KAROTKIN: I think the U.S. Trustee --

22 THE COURT: Oh, did the U.S. Trustee have an  
23 objection too? Okay. Well, on the bondholder one, it  
24 seemed like it can be dealt with, with language. I mean as  
25 I understand it, they just want to -- don't get trapped in

1 some sort of a bind later down the road, and I'm of the  
2 view that we should just deal with this purely  
3 administratively, but do you have any contrary view?

4 MR. KAROTKIN: I don't. If they want to reserve  
5 their rights on the record or in the order to argue that  
6 the Ninth Circuit law doesn't apply in this court, that's  
7 fine with me.

8 (Laughter.)

9 THE COURT: Well, it does apply. We're in the  
10 Ninth Circuit. It's home for us, you know. Ms. Kelly, you  
11 have -- I did not catch up because we've been rushed, so  
12 why don't you tell me what objections the U.S. Trustee has  
13 to the joint administration.

14 MS. KELLY: Thank you, Your Honor. Lynette Kelly  
15 on behalf of the U.S. Trustee. Your Honor, the U.S.  
16 Trustee does not object to most of the joint administration  
17 motion, but there is one point. It is proposed that the  
18 Court decide today that monthly operating reports can be  
19 combined, and we, first of all say, that is premature in  
20 that it is not something that absolutely has to be done  
21 today to avoid irreparable harm. The first monthly  
22 operating report is not due for some time. And that may  
23 not be appropriate. The U.S. Trustee needs to look at this  
24 case further, and any appointed committees will need to  
25 look at that to decide whether that prejudices anyone. And

1 it also can really muddy the quarterly fees that are due  
2 and other issues like that.

3 THE COURT: We don't want to do that. They're  
4 paying two sets of fees now.

5 MS. KELLY: So it's an important issue that needs  
6 more consideration than just today being tucked into the  
7 joint administration order.

8 THE COURT: Well, I told you that I just couldn't  
9 catch up with all the filings. Does combine mean  
10 consolidated or does combine mean just one report that has  
11 two sets of data in them?

12 MS. KELLY: Well, it wasn't really clear.

13 MR. KAROTKIN: Perhaps I could just short circuit  
14 this.

15 THE COURT: Sure.

16 MR. KAROTKIN: We're happy for the interim -- for  
17 interim relief to take that paragraph out of the order that  
18 says we can file jointly. Does that --

19 THE COURT: Okay. I have another procedural  
20 point, Mr. Karotkin. You've got to stay here on this one.  
21 The way your firm -- and by the way, your local co-counsel,  
22 Mr. Keller and his colleagues and everyone working at your  
23 end have been extremely helpful with just the huge volume  
24 of stuff and helpful to us in chambers to just keep up with  
25 it. But there's a couple of things that I think I'd like

1 to change so that in the caption that was presented as a  
2 proposal, it has the parent corporation only in the title  
3 with a footnote, and then the footnote sends you down to  
4 reach the boilerplate, but also that's where we find the  
5 Utility. I think that's a nice format to use in  
6 corporations that have lots of affiliates in bankruptcy. I  
7 would prefer that a caption say both Debtors, that the  
8 notion of jointly administered be there, but that it go two  
9 or three steps further, that it identifies the parent as  
10 lead case, and so it says something like, you know -- I'll  
11 let -- if you're okay with it, we don't have to spend time  
12 dealing with it on a, you know, fly speck basis, but what's  
13 important is, I think there should only be filings in the  
14 lead case so that already, in just two days, we've had so  
15 many filings that appear to be duplicates. So my hope  
16 would be that both Debtors would be named in the caption.  
17 It would be identifying the parent as the lead and  
18 indicating that all filings for both Debtors are in that  
19 lead case, which is No. 88. And that avoids a lot of  
20 duplication.

21 And then finally, there is a practice here and  
22 maybe that's true in other places where you practice, that  
23 just below the names of the two Debtors, there be a line  
24 that the person filing any papers can indicate if it  
25 affects only the parent or only the sub or both. Are you

1 familiar with that format in other cases?

2 MR. KAROTKIN: Yes.

3 THE COURT: Okay. What I mean it's just three  
4 little lines. It'll say "Affects PG&E Corporation" or  
5 "Affects Pacific Gas and Electric Company" or "Affects both  
6 Debtors," and then there's a little check box. I mean it  
7 doesn't have to be any particular style, but it's helpful,  
8 again, with when we're dealing with these things, and I'm  
9 sure your claims agent will have to deal with it also. I'm  
10 prepared to not rule on this today, but let you discuss it  
11 with others and then I want counsel who did file the  
12 objection for the bondholders to say if they're comfortable  
13 with something that I think will solve the problem, but if  
14 conceptually you don't have a problem with what I've asked  
15 for, I'd leave it to someone from your side to talk to our  
16 chief deputy, Mr. Busby over there, and just work something  
17 out.

18 And the substantive thing that maybe will solve  
19 the problem from the objectors is that your first-day  
20 motion has a proposed docket entry that would follow the  
21 case, and it begins "An order has been entered in  
22 accordance with Bankruptcy Rule..." such and such,  
23 directing, in your words read:

24 "... directing the procedural consolidation  
25 and joint administration."



1 I would simply strike the word "consolidation," so it  
2 reads:

3 "... directing the procedural joint  
4 administration of the cases."

5 And I personally don't think that the objectors need to  
6 worry, that they're not going to get trapped here, but that  
7 takes the word "substantive," or, excuse me, the word  
8 "consolidation" out of the language. Again, I'll -- we'll  
9 pass on this for now unless I hear from the objectors, and  
10 you or someone on your side can take it up with the Clerk,  
11 and if everything works there, then we can move on to the  
12 next case. Do you want to be heard on the bondholders?  
13 Just state your appearance, please.

14 MR. MA: Good morning, Your Honor, Steve Ma with  
15 Proskauer Rose on behalf of the ad hoc group of  
16 Institutional Bondholders for Pacific Gas and Electric  
17 Company.

18 THE COURT: Good morning, Mr. Ma.

19 MR. MA: Good morning. We agree with the Debtors'  
20 agreement to include certain language addressing our issue  
21 in the order, and we of course agree with your views that  
22 we don't want to be trapped.

23 THE COURT: I think we can put on this record,  
24 nobody is trying to trap anybody, but are you okay with my  
25 striking the word "consolidation" and it will just be

1 automatic.

2 MR. MA: We would prefer the (unintelligible word)  
3 proposed in our order given that --

4 THE COURT: I didn't see it. I mean I didn't have  
5 a chance to review it.

6 MR. MA: -- given that in Transwest, the court  
7 acknowledged that the cases were jointly administered but  
8 not substantive and consolidated.

9 THE COURT: Yeah. Well, the concept -- again,  
10 okay with the concept?

11 MR. MA: Yes.

12 MR. KAROTKIN: I think a statement on the record  
13 is more than sufficient. I think his language really  
14 overrules Transwest. I don't think you really want to do  
15 that.

16 THE COURT: (Laughing) I tell you what, I'm going  
17 to grant the motion for joint administration and instruct  
18 that there be language that can be worked out that deals --  
19 that preserves this. This is "angels on a pin," and we're  
20 not going to make a buzz word in there that people are  
21 upset about, and I'll expect Mr. Busby and someone from the  
22 Debtors' counsel office will discuss the formatting of  
23 putting names on the right and the bottom -- I mean on the  
24 page with a box on it. Okay? So that'll take care of the  
25 joint administration motion.

1 All right. So now I'll leave to you to go ahead  
2 and which ones you want to take in order,

3 MR. KAROTKIN: Sure, the creditor matrix.

4 THE COURT: Yeah, the creditor matrix, is there  
5 anyone who objected to the motion regarding the creditor  
6 matrix?

7 MR. KAROTKIN: We're not aware of anything.

8 THE COURT: And I think in that one, the only  
9 comment we had on that internally is that there be some  
10 discussion with Mr. Busby about it, that from his point of  
11 view and our point of view, there is also no objection, but  
12 it might be kind of something we might have to revisit some  
13 date in the future. So I'll grant the motion. This is not  
14 a trap; this is just paper, electronic paper. Okay? Are  
15 you all right with that?

16 MR. KAROTKIN: Yes sir.

17 THE COURT: Okay.

18 MR. KAROTKIN: We might as well go in order. The  
19 next thing was the motion to extend time to file schedules  
20 and statements. I think the only objection was by the  
21 Office of the United States Trustee.

22 THE COURT: All right. Did you work it out or --  
23 Ms. Kelly?

24 MS. KELLY: Your Honor, we filed our objection  
25 this morning, and so Your Honor may not have seen it.

1 THE COURT: Right.

2 MS. KELLY: But with a 60-day extension, that  
3 gives 74 days to file schedules, but the Debtors have filed  
4 very extensive first-day motions. They clearly have done a  
5 lot of work on the case, gathered a lot of information.  
6 They have been working on this for a while. This isn't  
7 something that just turned up yesterday when somebody tried  
8 to foreclose on a property. This is a completely different  
9 kind of case, and although it's a large case, and I can  
10 understand they want some kind of extension, this long of  
11 an extension here could very well prejudice a number of  
12 parties. There's a meeting of creditors to be had; there  
13 are -- we need to know even -- how do they know who the  
14 creditors are even? We don't even know if everybody is  
15 being noticed, if they can't commit to schedules at this  
16 point.

17 THE COURT: Well, you know, another -- something  
18 that I've learned a long time ago is that lawyers -- again,  
19 I love them; I used to be one -- I'm a recovering lawyer,  
20 folks -- they tend to think in big packages. You can dice  
21 some things up a little bit, so a schedule of creditors can  
22 be filed even though maybe some other schedule, executory  
23 contracts, or something else, doesn't have to be filed by  
24 the date. So maybe there's an in-between where the Debtor  
25 can file what you need to do the kind of things you're

1 talking about and have some more time to file other things  
2 that are less time critical. And I'd be inclined to grant  
3 this motion with a slightly earlier deadline, but open to  
4 extend it if there's a reason to do it.

5 MS. KELLY: Your Honor, an earlier deadline would  
6 be satisfactory, and we are happy to discuss. We had a  
7 very productive conversation last night, given the short  
8 time frame, and I'm sure we could have further discussions  
9 with counsel regarding what is appropriate here. But we  
10 just don't want creditors to be prejudiced --

11 THE COURT: Well, on that subject, have you had a  
12 chance -- and probably not -- to talk to representatives of  
13 the Debtors as to where and when the 341 meeting will be --  
14 even where, let alone when?

15 MS. KELLY: I think that is still even being  
16 considered by the U.S. Trustee, so I don't think we yet  
17 know what is appropriate with respect to that yet.

18 THE COURT: But that's a time sensitive issue also  
19 for the first meeting notice going out.

20 MS. KELLY: It is, Your Honor.

21 THE COURT: And, you know, it can't be in your  
22 office downstairs. We might have to get, you know,  
23 Candlestick Park, but it's not here anymore.

24 (Laughter.)

25 MS. KELLY: It is being considered right now.

1 It's one of the many urgent matters that we've had  
2 underway. We have gotten the solicitation packages out to  
3 creditors for a committee formation and set a date for a  
4 formation meeting on February 11<sup>th</sup> at 10:00 a.m. So we have  
5 gotten that piece underway, and I know they're focusing on  
6 the date and location of the 341.

7 THE COURT: Okay. I'll let you and the Debtors'  
8 representatives work that out. Here's what I am prepared  
9 to rule on, unless, again, you or Debtors' counsel think  
10 it's a miscarriage of justice, and that is, I will grant  
11 the motion to extend time to file the schedules, but I'll  
12 expect that the parties work out kind of a sequencing for,  
13 for example, the list of creditors isn't necessarily --  
14 shouldn't take as long as the list of assets, for example.  
15 And while creditors and parties in interest are entitled to  
16 the assets schedules, the creditor schedules drive another  
17 concept and deadline, and we've already talked about a  
18 claims deadline, which is going to be longer. So make a  
19 proposal, Ms. Kelly, as to when you think the liabilities  
20 schedule should be filed, and I'll see if they're agreeable  
21 to that. And I'll grant the 60 days as to the other ones.  
22 Do you have a proposal? I'm negotiating with you.

23 MS. KELLY: Yes. Thank you, Your Honor. Well, I  
24 would propose a 30-day schedule, to keep it in a round  
25 number.

1           THE COURT: Mr. Karotkin, I think I'll do that and  
2 recognize that if there's a good reason why the company  
3 needs more time, I'll be amenable to --

4           MR. KAROTKIN: We're just trying to be realistic.

5           THE COURT: I know that, and I know that it is a  
6 huge task, so why don't we treat it this way. The motion  
7 is granted as filed, except that we're setting a 30-day  
8 deadline for schedules of liabilities and the Statement of  
9 Financial Affairs and schedules of assets 60 days as  
10 requested, and I'll just revisit at some other time a need  
11 to change the earlier date. Okay?

12          MS. KELLY: Thank you, Your Honor.

13          MR. KAROTKIN: I'm just trying -- again, I'm just  
14 trying to be realistic. We have like 50,000 creditors.

15          MS. KELLY: Yeah, I know that.

16          MR. KAROTKIN: So -- but we'll work with  
17 counsel --

18          THE COURT: And you know what? I'm not going to  
19 hold your feet to the fire if you make an argument, and  
20 look, Ms. Kelly has to be reasonable too, and I'm not  
21 suggesting she's not. We'll deal with it. Okay. Let's go  
22 to the next motion. So we'll get an order on that; upload  
23 that order, and we'll take care of it. Okay? Next.

24          MR. KAROTKIN: The next one, Your Honor, is the  
25 oversized briefing motion, and --

1 THE COURT: Sure. Were there any objections to  
2 that? It's almost moot; don't you think? I mean --

3 MR. KAROTKIN: Yes.

4 THE COURT: Yeah, okay.

5 MR. KAROTKIN: Just don't deny it.

6 (Laughter.)

7 THE COURT: I mean I'll grant it -- what's next?

8 MR. KAROTKIN: The responsible individual.

9 THE COURT: Is there any objection to the motion  
10 for Mr. Wells to be the responsible individual under the  
11 Bankruptcy Rules? No objections. That will be granted.

12 I think we've got one left, one more; don't we?  
13 I'm going to ask that we take, before the other substantive  
14 motions, but after these other administrative ones, the  
15 claims agent motion, if that's all right.

16 MR. KAROTKIN: Do you want to do that now?

17 THE COURT: Well, do we have all the other ones  
18 out of the way? By my list, we do.

19 MR. KAROTKIN: I think that we do. I think we  
20 have the procedural ones out of the way, although we're  
21 still in the first group on the agenda. We also have cash  
22 management, the insurance motion --

23 THE COURT: Let me -- well, since I said I'd like to  
24 change the rule, let me change the rule. Is there anyone  
25 in the court, either courtroom, that wants to object to the



1 motion for the Debtors to employ the claims agent?

2 Yes, sir. Name?

3 MR. SKIKOS: Good morning, Your Honor. My name is  
4 Steve Skikos. I'm Plaintiffs' co-liaison in the State  
5 Court action. I don't consider this an objection to, but a  
6 supplement to the claims agent motion, and I believe I'm  
7 the bearer of some good news, and not that we just share an  
8 undergraduate degree and hope for our future, but that  
9 there has been a year of collaboration within the State  
10 Court litigation between counsel for PG&E and their client,  
11 counsel for subrogation and all the interests and their  
12 clients, the 50 law firms who represent the fire victims,  
13 and the 3,600 claimants.

14 And the point of what I want to get at is that we  
15 have entered an agreement, a stipulation and order signed  
16 by Judge Karnow that allows for the exchange of  
17 information, including the subrogation files, the claims  
18 that are actually made, the administration of the claims  
19 through Brown Greer, which is a company that ran Deepwater  
20 Horizon, BP, ASR, et cetera, and that agreement is embodied  
21 in Case Management Order No. 5. I brought ten copies to it  
22 and --

23 THE COURT: Well, is this relevant to the actual  
24 motion today on the Debtors hiring the claims agent?

25 MR. SKIKOS: I think the only reason it's relevant

1 is that in terms of claims administration, we are working  
2 cooperatively with the Debtor and subrogation to deal with  
3 that particular issue. I can be heard later on that issue,  
4 but I wanted to make sure that claims administration is  
5 carved out for what we're doing with PG&E and subrogation.

6 THE COURT: Again, this is new to me. What do you  
7 want to do with it, Mr. Karotkin?

8 MR. KAROTKIN: Yes, Your Honor. This morning, I  
9 had -- I must have had a conversation with your co-counsel  
10 about that --

11 MR. SKIKOS: Yes.

12 MR. KAROTKIN: -- which I was going to mention,  
13 and what I told her and it was agreeable to her that we  
14 agree to work with her and the other lawyers on appropriate  
15 notice in claims filing procedures and try to facilitate  
16 the process, and that we would work with them going forward  
17 to try to do that, but I don't think anyone had any  
18 objection to the entry of the order approving the retention  
19 of Prime Clerk.

20 THE COURT: Okay. Well, I have just a couple of  
21 questions. Again, some of these are matters that Mr. Busby  
22 for our court has been working with someone there, and they  
23 are discussing and Mr. Busby, for the Clerk, would want  
24 some language in the order that says something like this,  
25 that the claims and noticing agent are using the proper

1 title, shall relieve the Clerk's Office of all noticing  
2 under applicable Bankruptcy Rules and processing of claims,  
3 kind of boilerplate, but it wasn't in there. And I think,  
4 other than that, I have a question that I've asked, but  
5 that allows the details to get worked out at the Clerk's  
6 level. And -- well, I'll give you one example. As I read  
7 the moving papers, it said that the agent will maintain the  
8 claims and provide access, but it didn't say what kind of  
9 access, so I assume it's electronic access. Well, it  
10 didn't say that, and I didn't think we were back in the 19<sup>th</sup>  
11 Century where somebody would have to go and look at a  
12 claims docket.

13           Okay. I am a little -- I want to hear your take  
14 on the indemnity issues. You may know and your colleagues  
15 may know that I and others in our District have been pretty  
16 concerned with indemnification, and the way I read it, the  
17 claims agent does get the benefit of indemnity if it  
18 engages in negligence rather than gross negligence. Don't  
19 you read the rules that way? I mean is that the way you  
20 read it, because I read the particular -- the operative  
21 paragraphs to conclude that. And if one of your other  
22 colleagues wants to speak to that, that's okay, and I'm not  
23 even telling you I'm going to disapprove it; I want to know  
24 if you gentlemen interpret it that way.

25           MR. KAROTKIN: Yes, we've been made aware of that,

1 and from what I understand, they have agreed to waive that.

2 THE COURT: Oh. Okay. So --

3 MR. KAROTKIN: Not the indemnity entirely, but  
4 straight negligence, yes.

5 THE COURT: No, I understand. I understand. No,  
6 you negotiated in there what seemed fine to me that you got  
7 the agent to agree to take a cap off of their exposure, but  
8 that's a little different. Okay. Look --

9 MR. KAROTKIN: So that's been resolved.

10 THE COURT: You solved the problem. The order  
11 will then resolve it with -- so Prime is waiving its  
12 protection under the negligence standard.

13 MR. KAROTKIN: The negligence standard.

14 THE COURT: Yes, okay. That's fine.

15 MR. KAROTKIN: And I believe that -- I was advised  
16 this morning that representatives of Prime have spoken with  
17 Mr. Busby and resolved the other issue, and --

18 THE COURT: Yeah, we don't have to put them on the  
19 record unless Prime wants it on the record, but again, we  
20 want to get on with the merits here. So there will be an  
21 order -- and we don't have to put in an order all the  
22 details that those folks have worked out --

23 MR. KAROTKIN: Right.

24 THE COURT: -- except the language that I  
25 mentioned.

1 MR. KAROTKIN: Yes. I think that's already been  
2 addressed.

3 THE COURT: Okay. Great. That's terrific.

4 MR. KAROTKIN: So we'll get you a revised order.

5 THE COURT: And then when you upload the order,  
6 that's consistent with the waiver of the -- what we talked  
7 about. I don't remember the specific paragraphs. Okay. I  
8 apologize to you for asking that we follow a sequence and  
9 then jumping it, because it sounds to me -- it seemed so  
10 integrally related to, you know, we're talking about the  
11 captions and the language and so on. So, okay. Back to --  
12 I guess we have the remaining ones on the insurance and --

13 MR. KAROTKIN: The cash management and insurance.

14 THE COURT: -- the cash management.

15 MR. KAROTKIN: As to cash management, Your Honor,  
16 I believe the only objection was from the United States  
17 Trustee as to the Section 345(b) waiver.

18 THE COURT: Right.

19 MR. KAROTKIN: Rather than try to resolve that  
20 today, my suggestion is that we reserve that for the final  
21 hearing, and that we get a waiver until the final hearing.  
22 And then we can have some more -- we had some discussions  
23 last night with the United States Trustee, and we can over  
24 the next 30 days or whenever the final hearing comes, we  
25 can either resolve it with the Office or we can come back

1 to Your Honor.

2 THE COURT: Ms. Kelly, are you good for that? You  
3 can just remain there, if that's the answer.

4 MS. KELLY: Yes, Your Honor.

5 THE COURT: Yes? Okay, great.

6 MS. KELLY: In fact, it does seem complicated, and  
7 we want to work with the Debtor to resolve it.

8 THE COURT: There's one question that the cash  
9 management motion by itself doesn't trigger in my mind, but  
10 your comments just now did, Mr. Karotkin, and that is, you  
11 and I both know that for traditional financing motions or,  
12 for example, the notion of a preliminary hearing and a  
13 final hearing is well established, but I was a little  
14 confused by some of the other motions today. I'll give you  
15 an example, just an example, and then we'll come back to  
16 the cash management. As I read the motion for payment of  
17 taxes, there is a two-step process where there's a certain  
18 amount to be paid on an interim basis and a larger amount  
19 to be paid on a final basis. But at least one motion, I  
20 believe it's the customer program, there is no two-step,  
21 and so the notion of having a preliminary hearing and a  
22 final hearing, it seems to me you're importing it into  
23 these other kinds of motions. Right? For more time -- I'm  
24 okay with that -- I just want to make sure we're on the  
25 same page.

1           MR. KAROTKIN: Yes, we are. I think the customer  
2 programs motion is different than -- it doesn't really fit  
3 into an interim relief type of thing.

4           THE COURT: Well, one of the motions that -- I'm  
5 sorry for jumping around, but it sounded to me like all the  
6 money is going to be paid on the interim motion, so what's  
7 the purpose of the final motion? But let's stick with the  
8 cash management. The record here is the cash management  
9 motion is granted on an interim basis, and we'll revisit it  
10 at a final hearing. So whether it's in the rules or not,  
11 we are having a final hearing at some point on the cash  
12 management issue, and the U.S. Trustee is agreeable to  
13 that, and so am I. Does anyone want to be heard on that?

14           MR. KAROTKIN: Can I have one minute?

15           THE COURT: Wrong attorney, sorry.

16           MR. MINNICK: Excuse me, M. David Minnick,  
17 Pillsbury, on behalf of Bank of America, and just a  
18 question of --

19           THE COURT: Okay. Mr. Minnick at the podium, the  
20 first figure from the overflow room. Mr. Minnick, welcome.

21           MR. MINNICK: Hopefully I'll do it in the proper  
22 order. Bank of America is a payroll bank, and as I  
23 understand the 345(b), they have to post treasuries in  
24 compliance with their obligation under their agreements  
25 with the U.S. Trustee. Is this waiver today of the

1 application of 345(b), is that to delay the compliance or  
2 we should comply and then deal with it on a more long term  
3 basis?

4 THE COURT: Ms. Kelly, why don't you come up to  
5 the podium and answer that.

6 MR. KAROTKIN: I think it's to delay compliance,  
7 delay compliance pending the final hearing when we can  
8 address it.

9 THE COURT: Well, is that your agreement, your  
10 understanding too?

11 MS. KELLY: Your Honor, what I would say is, we're  
12 going to work toward compliance with the Debtor. If  
13 somebody can comply tomorrow, I think, you know, they  
14 should comply. We're working toward compliance, but I  
15 understand it's sort of an extension of time within which  
16 to comply, is the way I would conceptualize it.

17 THE COURT: But Mr. Minnick's bank client is  
18 already one of the kind of depositories that does comply,  
19 but --

20 MR. KAROTKIN: It does not.

21 THE COURT: It does not?

22 MS. KELLY: It does not.

23 THE COURT: I thought he just said it did. Is  
24 that right, Mr. Minnick? It does or doesn't comply  
25 normally?



1           MR. MINNICK: I was told by in-house counsel that  
2 we automatically post treasuries as the case occurs, and we  
3 are to comply with that -- in relation to the balances that  
4 we have.

5           THE COURT: Well --

6           MS. KELLY: Okay. So that is a new piece of  
7 information actually, because I had understood from  
8 conversations with the Debtor that Bank of America was not  
9 in compliance, but now this is an additional piece of  
10 information. So that's very helpful. If parties are able  
11 to comply, such as it sounds like Bank of America has a  
12 procedure in place for complying, then that is really what  
13 we're working toward. We're working toward finding some  
14 way that the Debtor and the financial institutions can be  
15 in compliance, and if there is some issue about that, then  
16 we're going to try to work out how we address the substance  
17 of it. You know, if there is some way they can't  
18 technically do it, we're going to try to come to some  
19 resolution.

20           THE COURT: Okay. But what that means to me is  
21 that Bank of America represented by Mr. Minnick has to  
22 comply because they're already complying or they're a  
23 complier in some other financial institution that hasn't  
24 complied, then we're waiving it on an interim basis.

25           MS. KELLY: Yes. There may be institutions that

1 are not authorized depositories and that don't have  
2 anything in place such as Bank of America does to  
3 automatically start complying --

4 THE COURT: Right.

5 MS. KELLY: -- so those we are going to have to  
6 work on, is our agreement, and --

7 THE COURT: So stated again, I should tell Mr.  
8 Minnick his client has to comply now.

9 MS. KELLY: Yes, Your Honor, I would say that,  
10 because they're in compliance.

11 THE COURT: Mr. Minnick, got the message?

12 MR. MINNICK: Thank you. Yes, Your Honor, I do.

13 THE COURT: Okay. Ms. Parada, I've lost the video  
14 on the overflow court. I see all the other monitors have  
15 it, but I don't have it, so -- I don't need it right now,  
16 but maybe -- did something come loose or something? All  
17 right. Maybe it's just the connection because it was on  
18 there. I don't need it right now. Let's move on to the  
19 next one. Okay. Does that take care of that motion?

20 MS. KELLY: I think it does, Your Honor. Thank  
21 you.

22 THE COURT: Okay. All right. So what's left, the  
23 insurance motion?

24 MR. KAROTKIN: Can I just raise one other issue?

25 THE COURT: Yes.

1           MR. KAROTKIN: I think you had entered an order  
2 with respect to the payment of State and Federal taxes,  
3 which is a, I think a standard order that you enter in  
4 cases.

5           THE COURT: Right.

6           MR. KAROTKIN: Which requires the Debtors to  
7 segregate --

8           (Court and Mr. Busby confer.)

9           THE COURT: All right. I can fake it. Go ahead  
10 with -- now I've got it back. Just say that again.

11          MR. KAROTKIN: Yes. I think it requires the  
12 Debtors to segregate certain tax payments from customers.

13          THE COURT: Right. That's just a standard order  
14 that we issue routinely.

15          MR. KAROTKIN: Yes, I realize that. Under the  
16 cash management system operated by the Debtors, that is  
17 virtually impossible because all of those payments come in  
18 from the customers in one stream, and there's, you know, 16  
19 million of those coming in, and it's not practical. So if  
20 we could ask Your Honor to suspend enforcement of that  
21 order until we have a chance to figure out exactly what we  
22 can do and can't do, I would appreciate that.

23          THE COURT: Ms. Kelly, do you have any concern  
24 about that? I don't, but this isn't a regular case, right?

25          MS. KELLY: I'm sorry, Your Honor. I missed --

1           THE COURT: You don't mind what he asked, that we  
2 suspend that standard order that's issued in most every  
3 Chapter 11 case; it doesn't have to apply to this case.  
4 We're going to deal with it on this other issue. Okay. So  
5 the answer is yes, and maybe we need a stand-alone order  
6 from you that waives that compliance, okay?

7           MR. KAROTKIN: Yes. We will do that.

8           THE COURT: Okay. So by my count, we're down to  
9 the insurance motion, which is -- I don't know if there's  
10 any objection. Was there any objection to the Debtors'  
11 motion regarding insurance, which includes workers' comp  
12 and a number of other things. Anyone at all? I didn't see  
13 any; did you?

14          MR. KAROTKIN: No, sir, although we did get one  
15 informal request from one of the insurers to make a  
16 clarification.

17          THE COURT: Okay. Well, let's finish -- anyone in  
18 the overflow courtroom want to be heard in response to the  
19 motion regarding the insurance matters?

20          (No response.)

21          Okay. I don't either. I'm prepared to -- just for  
22 clarification, the portion of it that grants relief from  
23 stay is really just to go ahead and let the workers' comp  
24 processes follow their regular course, right?

25          MR. KAROTKIN: Yes, sir.

1 THE COURT: That's what I thought. Okay. So how  
2 do you want to clarify otherwise?

3 MR. KAROTKIN: One of the insurance companies had  
4 asked for a clarification in the order, in a footnote -- I  
5 don't know if you have the order in front of you.

6 THE COURT: I'll take your word for it. Yeah, I  
7 do.

8 MR. KAROTKIN: It basically says that for the  
9 avoidance of doubt, the term insurance policies shall  
10 include all insurance policies issued or providing coverage  
11 to the Debtors at any time, whether expired, current, or  
12 prospective, and any agreements related thereto. That's to  
13 cover policies where the actual coverage may have  
14 terminated, but there's still an opportunity to file claims  
15 and to address claims. And again, Your Honor, this does  
16 not direct the Debtors to do anything. It's within their  
17 discretion; it's just authority. And they also would like  
18 another paragraph added to the order that says:

19 "Nothing herein alters or amends the terms and  
20 conditions of any of the insurance policies or  
21 relieves the Debtors of any of their obligations  
22 under the insurance policies.

23 THE COURT: That seems fair and normal.

24 MR. KAROTKIN: Yes. We certainly have no  
25 objections to any of that.

1 THE COURT: Okay. That's fine.

2 MR. KAROTKIN: So we'll submit a revised order.

3 THE COURT: Make sure the order that you upload is  
4 consistent with that.

5 MR. KAROTKIN: Yes, we will.

6 THE COURT: Okay. By my calculation, we've  
7 clicked off all the administrative motions, including the  
8 claims agent, and we're ready to go to what I call the  
9 operational ones. Right?

10 MR. KAROTKIN: Yes, sir.

11 THE COURT: Okay.

12 MR. KAROTKIN: I think the first one is the  
13 Exchange Operator Motion.

14 THE COURT: Are you aware of any objections to  
15 that?

16 MR. KAROTKIN: The only thing that we've been  
17 asked to do is to make a representation that with respect  
18 to collateral being posted with the Exchange Operators and  
19 the Trading Counter-Parties, that that will be done in the  
20 ordinary course of business, and we certainly can make that  
21 representation.

22 THE COURT: Okay. There's no one up, no  
23 opposition. That motion will be granted.

24 MR. KAROTKIN: Thank you. Can I turn the podium  
25 over to my colleague, Mr. Goren?

1 THE COURT: Sure. Mr. Goren. Welcome to the  
2 Court again. Ready to go?

3 MR. GOREN: Good morning, Your Honor, Matthew  
4 Goren from Weil Gotshal Manges on behalf of the Debtors.  
5 The next agenda item is Item No. 10, Your Honor, the  
6 Operational Integrity Suppliers Motion.

7 THE COURT: Right.

8 MR. GOREN: And, Your Honor, pursuant to this  
9 motion, the Debtors are seeking authority to pay the claims  
10 of certain vendors and suppliers that are essential to  
11 protecting public health and safety and maintaining the  
12 safety and reliability of the Debtors' operations.

13 THE COURT: Were there any -- did you receive any  
14 objections?

15 MR. GOREN: Your Honor, we did receive six  
16 specific objections to this motion. Notably, none of the  
17 objectors objected to the basis of the relief essentially  
18 itself that these Operational Integrity Suppliers are  
19 essential, and the Debtors need the discretion to be able  
20 to pay them to maintain the operations and they're  
21 necessary for the success of the reorganization. The  
22 nature of the objections themselves was really that these  
23 vendors wanted confirmation that they were covered by this  
24 motion, and Your Honor, simply put, the process set forth  
25 in the motion is exactly why we don't necessarily publish

1 vendor lists, why we don't do this publicly. There's a  
2 protocol set forth in the motion, and should the Judge --  
3 should Your Honor be willing to grant the motion, the  
4 Debtors would review every request for a critical vendor,  
5 Operational Integrity Supplier status, defer to that  
6 protocol that is in place, and make a determination in  
7 accordance with their business judgment, whether such a  
8 vendor is necessary to maintain the operations of that  
9 supplier. That's the only rationale; that's the only thing  
10 that is important to make that decision, and it shouldn't  
11 be made here on the record in public, which is exactly why  
12 we don't necessarily publish these lists of potential  
13 Operational Integrity Vendors.

14 THE COURT: Okay.

15 MR. GOREN: But I can defer to the parties if they  
16 want to come up and speak, but that was the nature of the  
17 objections themselves.

18 THE COURT: Well, there are a number of people  
19 behind you, so I assume they want to be heard on that.

20 MR. GOREN: Sure.

21 THE COURT: So why don't we take them in order.  
22 Ms. Hayes, you filed a number of objections.

23 MS. HAYES: I did. Good morning, Your Honor.  
24 Jennifer Hayes from Finestone Hayes LLP appearing on behalf  
25 of creditors Roebbelen Contracting, Inc., Aggreko, Nor-Cal



1 Pipeline Services and the last one is M, as in Mary, CE  
2 Corporation.

3 THE COURT: And what do you want me to do?

4 MS. HAYES: I could jump right to what I'd like  
5 you to do. If you want me to give you a little context, I  
6 can do that as well.

7 THE COURT: Well, I read your papers, but go  
8 ahead. There are a lot of people here that probably  
9 haven't, no let's do it.

10 MS. HAYES: Okay. Well, let me go through it just  
11 quickly. So these four creditors filed responses, and they  
12 each contain kind of reservations of rights and weren't  
13 sure whether to object because they couldn't tell really  
14 what the two key motions, the Lien Claimants' Motion, and  
15 the Operational Integrity Suppliers Motion were really --

16 THE COURT: Well, let me interrupt you. It struck  
17 me as one of these oppositions that says, I oppose it  
18 unless I'm in the classes getting paid.

19 MS. HAYES: We didn't know what else to say. I  
20 mean --

21 THE COURT: I got you, but if --

22 MS. HAYES: Right. There's no Creditors'  
23 Committee.

24 THE COURT: -- if they pay you, you don't have a  
25 problem with it, right?

1 MS. HAYES: Well, I mean it's hard to complain  
2 about getting paid in full. You know, Roebbelen is owed  
3 somewhere in the neighborhood of 38 million dollars.

4 THE COURT: It's a very large number. No, I saw  
5 that.

6 MS. HAYES: It is a large number.

7 THE COURT: I saw that.

8 MS. HAYES: Yes. And the other three creditors  
9 are owed between one and a half and almost three million,  
10 and they're smaller companies, and this is a lot of money.  
11 And so it's hard to object if the creditors -- if they say,  
12 hey, we'll pay you, they fall within these buckets which  
13 they believe they do --

14 THE COURT: No, I understand. Ms. Hayes, I'm  
15 sympathetic to you. We're all dealing under tight --

16 MS. HAYES: Right. Absolutely.

17 THE COURT: But you heard Mr. Goren's comments. I  
18 mean it seems to me that if the company says it's critical,  
19 they pay it, and if the company says no, you don't get paid  
20 right away, but you certainly have a right to revisit the  
21 issue.

22 MS. HAYES: Right. And you point out -- you can  
23 piecemeal this, and you can make, you know, to a smaller --  
24 it doesn't have to be all or nothing, and I guess what I'd  
25 ask is, to win it -- I don't see any necessity with respect

1 to the lien claimants' motion for any kind of critical  
2 vendor issue there, and that's the numbers -- I think total  
3 between the two for the interim payment that's requested --  
4 and again, without any historical, financials or future  
5 projections, without any evidence in support, because the  
6 declaration that was filed by Mr. Wells doesn't appear to  
7 be signed under penalty of perjury and doesn't even set  
8 forth with any kind of urgency with the -- you know, it  
9 speculates that these certain vendors may not deliver  
10 services or goods, and that's not -- it's not -- you don't  
11 get the sense that there are conversations and you had  
12 X, Y and Z say, look, I'm cutting you off unless I'm paid.  
13 And so without the benefit of historical and future  
14 projections to see what is really necessary, it's hard to  
15 say, sure, write a blank check without a Creditors'  
16 Committee being appointed for 180 million dollars, because  
17 that's what they're asking on a final basis.

18           And so what we would like, and that's what I will  
19 jump to, is to limit whatever the interim payment is to  
20 that which is critical, you know -- it's hard for me to say  
21 what that is without any numbers, right, but that which is  
22 necessary to keep the gas and electricity supplies coming,  
23 whatever is critical to the business.

24           THE COURT: But critical might be in the eye of  
25 the beholder, right? And so --

1 MS. HAYES: Of the beholder, and that's the issue.  
2 So it's hard to say a number but the point is, I don't see  
3 the need for any interim relief with respect to the Trade  
4 Creditors' Motion, and I would like the Court to set a  
5 briefing schedule and to require additional, you know,  
6 competent evidence in support of the motion that  
7 establishes kind of what is under B & W and K-Mart, kind of  
8 the evidence here to support this need to -- because you're  
9 subverting the priorities in the Bankruptcy Code without  
10 any evidence. And that's -- that may be appropriate; I'm  
11 not -- you know, but it's hard to know with the requisites  
12 here, which is devoid of evidence. It's allegations  
13 that -- what do you make of them?

14 THE COURT: I didn't notice that Mr. Wells'  
15 declaration was not under penalty of perjury, but let me  
16 hear from the other --

17 MS. HAYES: He might sign it if he's here.

18 THE COURT: He might. Let's hear from the other  
19 objectors, and then we'll figure out what to do about it.

20 MS. HAYES: Thank you, Your Honor.

21 MR. PONIATOWSKI: Thank you, Your Honor, Mark  
22 Poniatowski, Poniatowski, Leding, Parikh. I represent Holt  
23 of California. Holt of California filed an objection.  
24 Holt is the Caterpillar Equipment Dealer in Northern and  
25 Central California, and essentially what we have here is,

1 you know, the Debtor is asking for authority to determine  
2 who is a critical vendor, and from what way I read the  
3 papers, they're going to appoint a Committee and --

4 THE COURT: Well, it's an internal committee,  
5 though, right? It's not a Creditors' Committee; it's --

6 MR. PONIATOWSKI: No, no, it's not a Creditors'  
7 Committee.

8 THE COURT: It's the Debtors' own committee,  
9 right?

10 MR. PONIATOWSKI: The Debtors' committee, right.

11 THE COURT: Right. Right.

12 MR. PONIATOWSKI: Although it's unclear what the  
13 procedures are that they're going to follow.

14 THE COURT: Well, but what I glean from it, and  
15 again, trying to absorb it all, some group of human beings  
16 who were the on the payroll for the company will figure out  
17 A is critical and pay them; and B is not critical and not  
18 pay them, and so on. But as I said to Ms. Hayes, if she  
19 can come in or you can come in and show that B is in the  
20 same category as A, then maybe it's appropriate to pay.

21 MR. PONIATOWSKI: Well, right now -- and I  
22 understand that, Your Honor, and, you know, typically when  
23 I flipped through the motion, I was looking for the list,  
24 the list of the critical vendors, you know, which we don't  
25 have here, which is a little bit unusual -- which is quite

1 a bit unusual. But, you know, here my client has --  
2 supplies, critical equipment for the specific requirements  
3 enumerated in the motion, for safety, for fire cleanup, and  
4 for support. This is the earthmoving equipment that Holt  
5 had on site within five hours of the fire, which is  
6 critical to the staging of the disaster. And right now,  
7 there are ten units that -- we have a master rental  
8 agreement since 2015, and right now there are ten units,  
9 ten earthmoving units that PG&E has in its possession that  
10 it wants to keep. My client is owed half a million  
11 dollars, 150,000 of that within the past 21 days. It's not  
12 the large numbers that we hear being thrown around with  
13 these other creditors --

14 THE COURT: Well, it might be large to your  
15 client.

16 MR. PONIATOWSKI: And that's why I'm here. And,  
17 yes, it seems to me that we put forth in this motion -- I  
18 don't see why -- we tried to stipulate in advance that Holt  
19 would be a critical vendor. We put forth sufficient  
20 evidence to meet all the requirements of what a critical  
21 vendor is by virtue of what the Debtor has said in their  
22 papers. We meet all those requirements. I don't see why  
23 they can't be named a critical vendor right now in  
24 connection with this motion.

25 THE COURT: Okay.

1           MR. PONIATOWSKI: And it seems to me that the  
2 procedure that the Debtor put forth is somewhat shrouded in  
3 some kind of secrecy. I mean what's going to happen --  
4 what's going to happen; how are we determining who are  
5 critical vendors --

6           THE COURT: Well, you know, I understand your  
7 point but we've got authorities cited in the briefs that in  
8 some part of our Circuit, some people don't believe that  
9 critical vendors should even be paid at all. So here we  
10 have a Debtor who's saying, I want to pay some critical  
11 vendors, so I --

12           MR. PONIATOWSKI: Well, the motion said that  
13 they've already identified a whole handful of them --

14           THE COURT: Right.

15           MR. BONIATOWSKI: -- but why don't they tell us  
16 who they are. Not that I care. I mean my client thinks  
17 that it's a critical vendor.

18           (Laughter.)

19           THE COURT: I know. We'll have an auction here  
20 for who wants to be a critical vendor. No. Look, I want  
21 to give Mr. Goren a chance to respond, but there's another  
22 counsel behind you, so I suspect he's in the same boat.  
23 Right?

24           MR. PINKSTON: Close, Your Honor. Ryan Pinkston,  
25 Seyfarth Shaw on behalf of Turner Construction. We too

1 believe that we're critical. However, the impetus for our  
2 preliminary injunction of reservations of rights was to  
3 spur the Debtor to provide more information. When we asked  
4 Debtors' counsel for information, they said it's going to  
5 be handled by the Supplier Management Committee, which is  
6 business folks. When my business folks and my client  
7 talked to their business folks, they said you need to talk  
8 to the Debtor's counsel; we're not sure, so we're stuck in  
9 a box here without any information about what exactly is  
10 going on here. Turner would not object to granting of the  
11 motion on an interim basis, and we just would like to  
12 reserve all of our rights --

13 THE COURT: But what does that mean? What does it  
14 mean "interim"? Does it mean your client gets paid or not?

15 MR. PINKSTON: I don't know.

16 THE COURT: Okay.

17 MR. PINKSTON: But the amounts that were specified  
18 in the Lien Claimants' Motion and the Operational Integrity  
19 Motion, the more modest amounts that were going to become  
20 due in the next 30 days, we don't have an issue with those  
21 being paid, but we wanted to reserve our rights for the  
22 much larger sums going out after a final hearing to  
23 determine -- so we can get more information from the  
24 Debtors and the business folks.

25 THE COURT: Mr. Goren, is there any expectation



1 that this committee that makes the call is going to be --  
2 is going to have some creditor representatives in it too?

3 MR. GOREN: Your Honor, what this is, is an  
4 internal committee made up of --

5 THE COURT: Right. I know that.

6 MR. GOREN: -- a cross section of representatives  
7 from in-house counsel, purchasing, suppliers, but obviously  
8 once committees are appointed, official committees, we will  
9 be consulting with them.

10 THE COURT: No, but I'll rephrase the question.  
11 What you're telling me in a very complex case is, somebody  
12 on the debtor's side will decide whether A gets paid and B  
13 doesn't, and I'm just asking if it's reasonable to assume  
14 that maybe somebody at the table ought to be a creditor  
15 representative. Now, I understand we don't have a  
16 Creditors' Committee yet, but just imagine we had a  
17 Creditors' Committee and they --

18 MR. GOREN: Once a Creditors' Committee is  
19 appointed, Your Honor, the Debtors would obviously consult  
20 with them about these payments that are going to be --

21 THE COURT: So let's assume that in the near  
22 term --

23 MR. GOREN: -- and report to them on them.

24 THE COURT: Let's assume in the near term -- and,  
25 you know, I don't know when the term will be, there will be

1 a Committee. What I'm unclear about is what we should do  
2 right now in terms of decision making and whether I should  
3 defer it.

4 MR. GOREN: Well, I think, Your Honor, we are  
5 limited the relief that we're looking for here to be that  
6 which is absolutely critical, and if the Debtors in their  
7 business judgment know what is critical to them --  
8 unfortunately, when you bring other creditors into this,  
9 they're going to be looking for their own interests, and we  
10 get into a public auction.

11 THE COURT: But what do I do when someone like Mr.  
12 Poniatowski says, you know, we've got ten big earthmoving  
13 things out there dealing with the fire. He wants to be  
14 labeled critical, but what if he isn't. Then what do we  
15 do?

16 MR. GOREN: Of course he wants to be -- every  
17 vendor wants to be critical, which is why this is the  
18 Debtors' business judgment. It's who is critical at this  
19 point, Your Honor, and that's why we have a protocol in  
20 place, Your Honor, to insure that only those vendors that  
21 are critical -- and which is why we're seeking here this  
22 very limited relief at this hearing, limited to 30.1  
23 million dollars, before a Creditors' Committee is appointed  
24 for larger dollar amounts to go out the door. Again, this  
25 is in the Debtors' business judgment. If we open this up

1 to other creditors, every one of them thinks they're  
2 critical, Your Honor.

3 THE COURT: Okay. I said several times, I just  
4 haven't been able to absorb every line of every motion  
5 that's been filed.

6 MR. GOREN: Sure. Of course, Your Honor.

7 THE COURT: So are you now telling me that -- and  
8 I'm looking at it here on the Interim Order Motion portion  
9 of it, you are -- it's a 30 million dollar interim thing.

10 MR. GOREN: Interim cap, yes, Your Honor.

11 THE COURT: So if I grant the motion, that means  
12 some time in the next period of time, between now and that  
13 final hearing, someone on the Debtors' side, that  
14 Committee, will make decisions that might lead to payment  
15 of up to 30 million dollars.

16 MR. GOREN: That's correct, Your Honor, in  
17 accordance with that protocol, which is only paying those  
18 that are naturally necessary. Yes.

19 THE COURT: Okay. Right. No, I got it. I got  
20 it. So if Creditor A gets paid, that's fine. If Creditor  
21 B doesn't, at least -- we're not going to unring the bell  
22 and make A disgorge.

23 MR. GOREN: No.

24 THE COURT: We're just going to do it little --  
25 you know, little steps, right?

1           MR. GOREN: Well, this is little steps, right,  
2 interim relief. But what I would say is, who's critical  
3 today -- may be not critical today -- but they may be  
4 critical tomorrow. So the fact that somebody isn't paid  
5 now as a critical Operational Integrity Vendor doesn't mean  
6 circumstances -- don't get paid later on, and they perhaps  
7 could. So nobody's rights are prejudiced here, Your Honor.  
8 The fact that we're not stipulating on the record that  
9 somebody is or is not a critical vendor today at this very  
10 moment, they're free to demonstrate to the Debtors the  
11 criticality of the services that they're providing.

12           THE COURT: The Lien Claimants Motion doesn't have  
13 that step though, right?

14           MR. GOREN: Well, the Lien Claimants is slightly  
15 different, Your Honor, in that obviously those creditors  
16 are ones who have the ability to assert possessory or  
17 statutory liens.

18           THE COURT: Yeah. No, I understand. I  
19 understand.

20           MR. GOREN: So technically none of those vendors,  
21 because of the secured nature of their claims are being  
22 preferred to other general unsecured creditors. It's just  
23 the matter of timing with respect to their payment.

24           THE COURT: Yeah, so again, it's hard to  
25 compartmentalize everything that's on the table today, but

1 taking those two together, if I say "Granted," then 30  
2 million will be available to go out the door to the 30  
3 million dollars worth of people that are in the Operational  
4 Integrity category. But all the dollars will go out to the  
5 lien claimants because the Debtor says those are the ones  
6 who have liens.

7 MR. GOREN: Your Honor, just -- again, we're  
8 taking it in baby steps. The Lien Holders' Motion also has  
9 an interim cap of 25.8 million dollars during the --

10 THE COURT: Well, that's what I'm afraid I didn't  
11 understand, and you're right. Okay. I understand.

12 MR. GOREN: And again, you know, those  
13 creditors -- and due to the secured nature of their claims,  
14 they're not being preferred to any other unsecured  
15 creditors.

16 THE COURT: No, I know. I know. I didn't  
17 remember what you now remind me, and I'm looking at the  
18 summary of it and --

19 MR. GOREN: Only about 10,000 pages of documents  
20 that we dumped on you, so perfectly understandable.

21 THE COURT: All right.

22 MR. PINKSTON: Your Honor, if I can make one --

23 THE COURT: Mr. Pinkston, yes.

24 MR. PINKSTON: One final point and maybe this is a  
25 housekeeping issue, but Mr. Goren is referring to a payment

1 protocol that's going to be utilized by the committee of  
2 Debtors' personnel; we don't even know what the payment  
3 protocol is, and it's described in the motion, but the  
4 actual protocol is the not listed.

5 THE COURT: Well, I understand but think about it  
6 this way, the Debtor who is a fiduciary and in a complex  
7 bankruptcy, on the second full day of the case says, I want  
8 to pay 30 million dollars of the creditors that I owe, and  
9 that's a good thing, and it's even better if you're in the  
10 30 million class. If you're not in the 30 million class,  
11 that doesn't mean you're not going to get paid; it means  
12 that, you know, we've got to work through it. So I'm  
13 inclined to think that for all of you counsel who are here  
14 representing your clients, it's a good thing if I grant the  
15 motion and you get some payment. It's not as good as it  
16 might be if I say, okay, we'll cross that bridge at the  
17 next step, but I don't know what else to do. So if I deny  
18 the motion, it means I cut off the pipeline for -- in these  
19 two categories -- 55 million dollars of creditors that they  
20 want to pay.

21 MR. PINKSTON: I think it's more than that, Your  
22 Honor --

23 THE COURT: Well, I just took those two.

24 MR. PINKSTON: No, it's not just the dollar  
25 amount; if the payments aren't made, then there's the risk

1 that operations have to come to a stop.

2 THE COURT: I know, but I'm just talking about the  
3 notion of a debtor in possession paying a creditor who  
4 might otherwise stand in line.

5 MR. PINKSTON: I understand. Ryan Pinkston on  
6 behalf of Turner. I understand your comments, Your Honor,  
7 and that's why I said Turner doesn't oppose the interim  
8 relief. We would just like to reserve our rights for the  
9 final hearing so that we can try to get more information  
10 from --

11 THE COURT: And Ms. Hayes, you're in the same  
12 boat, right? I mean nothing that you have argued would say  
13 that I should not let the Debtor pay some creditors, and if  
14 the Debtor pays your client, that's even better, but it  
15 doesn't mean if your client doesn't get paid, it doesn't  
16 mean anything except somebody else got paid. And then the  
17 Debtor has got your client or got the issue framed and if  
18 at the end of the day, you can't convince them or me, then  
19 you have to stand in line. But --

20 MS. HAYES: Your Honor, a couple of things. One,  
21 I think that that's a fair summary. I would like an  
22 opportunity for the final hearing to not be rushed and for  
23 there to be additional evidence in support of -- in the  
24 nature discussed --

25 THE COURT: Well, again, I'm going to give you a

1 freebie here by saying you can do that, but maybe if they  
2 pay you ahead of time, it's not going to be a problem.

3 MS. HAYES: Right. Right. Correct, Your Honor,  
4 and --

5 THE COURT: Because I don't want to -- what I  
6 don't want to do this morning is hand out a briefing  
7 schedule with -- to people, to lawyers who maybe don't have  
8 to do it. So we have to come up -- and I'll ask Debtors'  
9 counsel to put on their agenda, you know, a way to deal  
10 more fully to get around two of these two motions.

11 MS. HAYES: Yes, Your Honor, and if --

12 THE COURT: Okay? Or a final hearing, whatever.

13 MS. HAYES: And one final point, all four of the  
14 clients whose names I've identified in the record have  
15 filed declarations that establish their critical vendor  
16 status under both the Operational Integrity Suppliers  
17 Motion and the Lien Claimants Motion, and I did want to  
18 point that out in case you hadn't seen it.

19 THE COURT: And that's good, and you obviously  
20 turned around a lot of work product in a short time and  
21 then maybe others that are in the same category, so my  
22 suggestion is if I grant the motion for these two, that I  
23 am inclined to do, persuade Mr. Goren and his clients to  
24 get your client paid, and if not, we will deal with it the  
25 next time around.



1 MS. HAYES: Fair enough.

2 THE COURT: But I'm going to respect the Debtors'  
3 wish of not to publicly name the list of all the vendors.

4 MS. HAYES: I understand. That makes sense, yes.

5 THE COURT: Okay. There doesn't appear to be  
6 anyone at the podium in the courtroom or the other  
7 courtroom, so have we covered everybody?

8 MS. HAYES: Thank you, Your Honor.

9 THE COURT: Yes, sir.

10 MR. GOREN: Just one point. We're perfectly happy  
11 to discuss with each one of these vendors the critical  
12 nature of their services or goods that they perform.

13 THE COURT: Right.

14 MR. GOREN: Which is consistent with exactly what  
15 we were proposing in the motion. The one thing I would  
16 add, though, Your Honor, is, we do think there is  
17 sufficient evidence to support both the interim and the  
18 final relief the Debtors are putting forth, and the fact  
19 that, you know, some counsel are coming up and saying, the  
20 evidence would be fine if I was getting paid, is really  
21 quite an interesting standard, but as set forth --

22 THE COURT: But it's also true; isn't it?

23 MR. GOREN: -- as set forth in Mr. Wells'  
24 declaration, these are necessary to maintain safety and  
25 public --

1 THE COURT: Just clarify one point that Ms. Hayes  
2 said.

3 MR. GOREN: Yes, sure.

4 THE COURT: Is in fact Mr. Wells' declaration not  
5 signed under penalty of perjury?

6 MR. GOREN: It is sworn to.

7 THE COURT: I mean I could look at it; it's only  
8 140 pages long.

9 MR. GOREN: It is sworn to, Your Honor. Yes, it's  
10 sworn to under the corporate aspects of the statute.

11 THE COURT: Okay. There's another gentleman that  
12 wants to be heard.

13 MR. GOREN: Exactly. But again, there's -- due to  
14 the -- just to put this on the record -- 811 million  
15 dollars of trade contraction in the time leading up to the  
16 petition date. All of these are safety, critical for  
17 maintaining the Debtors' operations for keeping the lights  
18 on, not just for the Debtors, but for, you know, for 16.1  
19 million people, and all of this is set forth in the  
20 declaration, Your Honor, which again it was 167 pages, but  
21 it's all in there. We do believe that there is more than  
22 adequate evidentiary record to support both the interim and  
23 the final --

24 THE COURT: Okay. Do you want to be heard again,  
25 or no, the first time. I'm sorry; I'm just trying to keep

1 everybody straight.

2 MR. DE GHETALDI: Thank you, Your Honor. My name  
3 is Dario de Ghetaldi from Corey, Luzaich, De Ghetaldi &  
4 Riddle, and I am a member of the executive committees that  
5 were appointed by the courts in the Butte fire cases --

6 THE COURT: In the State Court.

7 MR. DE GHETALDI: -- in Sacramento, and the North  
8 Bay fire cases in San Francisco. Our firm represents as of  
9 Monday over fifteen hundred victims, and of those fires in  
10 addition or included in that number, we represent  
11 approximately half of the plaintiffs who have filed in the  
12 Camp fire cases.

13 THE COURT: What's the relevance to this motion?

14 MR. DE GHETALDI: I'm getting to it, Your Honor.

15 THE COURT: Okay.

16 MR. DE GHETALDI: I'm getting to it. I would like  
17 right now to crank open the chest of a patient briefly and  
18 expose the heart of the case which is the victim --

19 THE COURT: Well, but I'm really more interested  
20 in having general comments, but --

21 MR. DE GHETALDI: I'm getting to it, Your Honor.

22 THE COURT: Okay.

23 MR. DE GHETALDI: I'm getting to it. And those  
24 are the victims of the case.

25 THE COURT: I understand.

1 MR. DE GHETALDI: And in particular, I filed an  
2 objection this morning. I apologize; it was not -- I  
3 wasn't able to --

4 THE COURT: That's okay. What's the name -- just  
5 focus the objection for me.

6 MR. DE GHETALDI: We represent a group of  
7 plaintiffs in the Butte County --

8 THE COURT: I understand that. You've got to  
9 focus on this motion.

10 MR. DE GHETALDI: I'm trying, Your Honor.

11 THE COURT: You can do it with one creditor. Just  
12 tell me what you want me to do on this motion.

13 MR. DE GHETALDI: I don't want you to give  
14 priority to payments over payments to a group of 22 of our  
15 plaintiffs who have executed pre-petition settlement  
16 agreements with PG&E, some of which came due before the  
17 petition was filed and some of which came due immediately  
18 after the petition was filed.

19 THE COURT: Okay. Got you.

20 MR. DE GHETALDI: And there are other firms who  
21 have other Butte fire plaintiffs in the same position. And  
22 I represent, I think, their views as well.

23 THE COURT: I apologize for trying to cut you off.  
24 I was trying to get to the merits of the objection, and you  
25 did, and there will be time later for further general

1 comments, if you want. Mr. Goren, do you want to respond  
2 to that? This is essentially -- this counsel is not acting  
3 or speaking the way Ms. Hayes and the other two gentlemen  
4 did. He's not representing a lien claimant or an Integrity  
5 Supplier; he's representing a tort victim who doesn't  
6 think -- well, doesn't think they should be paid when these  
7 other folks --

8 MR. GOREN: Of course, Your Honor, and we are  
9 obviously very sympathetic to his clients and the victims  
10 of these wildfires, and we understand their concerns, but  
11 we don't think it's prudent to risk the operations right  
12 now and risk potential recoveries for them going forward,  
13 which is why we think this is absolutely critical to  
14 maintain the Debtors' operations and sustain them going  
15 forward.

16 THE COURT: Okay. I'm going to note the comments  
17 from counsel, and I'm sorry I didn't get his name  
18 correctly, but they are serious comments. They are not  
19 responsive to the question of whether as a matter of  
20 bankruptcy law and practice, the two categories of  
21 creditors which we're conveniently calling Lien Claimants  
22 and Operational Integrity Suppliers, which covers a  
23 multitude of sub paragraphs, to be sympathetic to fire  
24 victims and hope that they get paid some day, is not  
25 legally relevant to whether these other creditors can be

1 paid. And so I'm going to note the objection by one  
2 attorney on behalf of a small number -- a larger number of  
3 victims, but 22 specific parties that have executed  
4 settlement agreements and understand that they are going to  
5 be treated at some fashion in some way, but today, there's  
6 nothing for me to act on, and I'm going to stick with  
7 the -- and overrule the objection just with that notion  
8 that the motion will be granted as I've stated. Now, Mr.  
9 Poniatowski, you have another --

10 MR. PONIATOWSKI: Just a quick point of  
11 clarification. Thank you, Your Honor. So the idea is that  
12 we will try to negotiate with Debtors' counsel. If they  
13 happen to reject our assertion that we're a critical  
14 vendor, we will have a chance then to bring that issue up  
15 to the Court that we will reject it and seek review of that  
16 decision?

17 THE COURT: Well, let's try it a different way.  
18 Again, I'm going to simplify a complex matter, but from my  
19 point of view, the Debtor has said we owe A, B and C and we  
20 believe under the circumstances, under the doctrines of  
21 critical vendor or 506(b)(9) or call it whatever label, we  
22 think we should pay A but not B and C. And we will visit  
23 this matter again and we will pay A, and there are dollar  
24 limits that we're imposing for the two categories, and  
25 between now and the next hearing, we will try to articulate

1 and formulate, you know, the rationale, but to respond to  
2 the objecting party, if you think your B or C belongs in  
3 the same category as A and is critical, and they don't  
4 agree as a matter of negotiation, it'll be revisited on a  
5 final hearing where the Debtors will be seeking -- and what  
6 I'm hearing and they both made it clear, both counsel, that  
7 they're going to be seeking authority on a final hearing  
8 basis to pay some more people. And that's where we are.  
9 So my point is, all of your objections, for all of you --  
10 the three of you that are standing there and Ms. Hayes, are  
11 noted, but I'm granting the Debtors' motions, the two  
12 categories under the circumstances that we've said. So I  
13 think we've preserved it on the record and certainly the  
14 Debtors have preserved in the motion -- the two parts of  
15 the motion -- what they want granted. Is that clear?

16 MR. PONIATOWSKI: Thank you, Your Honor.

17 THE COURT: Okay.

18 MR. GOREN: Thank you.

19 THE COURT: All right. Thank you all. Now I've  
20 kept my own time limit here, and look at that, it's 11:30.  
21 So what I'm going to do, unless there's a strong objection  
22 from any counsel, is I'm going to take about a ten to  
23 fifteen-minute break for everyone's personal convenience,  
24 and then I will resume and we will change from discussion  
25 of the motions to simply I will listen to comments from

1 lawyers or non-lawyers in response basically to what the  
2 Debtors' opening comments to Mr. Karotkin were. I'm not  
3 going to turn it into a, you know -- well, I'm just going  
4 to let people speak and then when we're done with that,  
5 after the lunch break, I'll go to the next motion, Mr.  
6 Goren, unless there's something you really want to handle  
7 right now.

8 MR. GOREN: No. That schedule makes sense, Your  
9 Honor. Thank you very much.

10 THE COURT: Okay. So again, all right, then we  
11 will reconvene here in both courtrooms by that official  
12 clock over there. I'm going to add a few more minutes, so  
13 it'll be 11:45 on that clock, and I will take comments up  
14 to around 12:30. All right? Thank you all for your  
15 attention.

16 (Whereupon, a recess is taken at 11:32 a.m., and the  
17 court is reconvened at 11:52 a.m.)

18 THE COURT: All right. Please be seated. Okay.  
19 All right. Consistent with my comments earlier, we're going  
20 to take an intermission from the scheduled motions, and I'm  
21 just going to allow creditors or representatives of  
22 creditors to be heard, and I'll take anyone who wants to  
23 come to the podium and identify him or herself, either in  
24 the courtroom or in the overflow courtroom. And the first  
25 person up? Yes, sir.



1           MR. KORNBERG: Your Honor, Alan Kornberg, and I'm  
2 here with Brian Hermann and Sean Mitchell.

3           THE COURT: I didn't recognize you and when I  
4 looked closer, Mr. Kornberg, I know who you are. Nice to  
5 see you.

6           MR. KORNBERG: Good to see you, Your Honor. We're  
7 from Paul Weiss Rifkind Wharton & Garrison, and we do not  
8 represent a creditor. As Your Honor is probably aware, we  
9 represent the California Public Utilities Commission, which  
10 I know is no stranger to this courtroom. Your Honor, based  
11 on your prior experience, it will not surprise you to know  
12 that the CPUC intends to be an active participant in these  
13 cases.

14          THE COURT: Well, that's two of us then.

15          MR. KORNBERG: Your Honor, the Commission is here  
16 because it needs to be vigilant in insuring that no matter  
17 what happens in these Chapter 11 cases, there will be no  
18 impediments to the CPUC fulfilling its constitutional and  
19 statutory duties to the people of California. At their  
20 core, the CPUC's duties are to make sure that Californians  
21 get safe and reliable utility service at just and  
22 reasonable rates. A specific relevance to these cases,  
23 Your Honor, the PUC administers public purpose programs  
24 which involve billions of dollars, much of which flows  
25 through PG&E. The Commission directs initiatives critical

1 to achieving California's clean energy goals and climate  
2 mandates and assures that PG&E and other utilities have the  
3 necessary infrastructure and financing to operate properly  
4 and to operate safely.

5 So our objectives here are to make sure that  
6 nothing in these cases frustrates the critically important  
7 goals of the Commission or harms rate payers, and you will  
8 hear from us as necessary when those issues are implicated.  
9 Thank you, Your Honor.

10 THE COURT: Thank you, Mr. Kornberg. Yes, sir.  
11 No one in the overflow courtroom? I'm going to alternate,  
12 but nobody wants to speak to me over there.

13 SPEAKER: Your Honor, there are some people on the  
14 phone. Will we have a chance afterwards?

15 THE COURT: Oh, okay. Yes, sir, of course. I'm  
16 sorry, your name again?

17 MR. ESSERMAN: Sandy Esserman, E-s-s-e-r-m-a-n,  
18 and I'm with the firm of Stutzman Bromberg Esserman &  
19 Ploifkia in Dallas, and my co-counsel is John Fiske and  
20 Scott Sonley (Phonetic) of Baron and Bud, as well as Chris  
21 Hart, and we represent the following cities: the town of  
22 Paradise, the City of Santa Rosa, the City of Clear Lake,  
23 the City of Napa; the following counties: Napa County,  
24 Mendocino County, Lake County, Nevada County, Yuba County,  
25 Sonoma County, Butte County, as well as the Calaveras

1 County Water District, Sonoma County Agricultural  
2 Preservation and Open Space District, the Sonoma County  
3 Community Development Commission, the Sonoma County Water  
4 Agency and the Sonoma County Sanitation District. We're  
5 basically known in the litigation as the public entities  
6 affected by the wildfires.

7           The public entities are committed to a fair and  
8 prompt process. The damages that these public entities  
9 have suffered is a matter of some public knowledge and  
10 quite extensive. The public entities are very interested  
11 in getting a prompt resolution of this case which would be  
12 to everyone's benefit, the communities' benefit in  
13 particular, and the Court knows the damages suffered by  
14 these public entities is significant. We're talking about  
15 damages of infrastructure, public works projects, roads,  
16 bridges, sidewalks, water systems, stop signs, stop lights,  
17 the works, all of which are necessary for a functioning  
18 county and city and district, and the reverberation effect  
19 is very traumatic, as Your Honor no doubt knows because  
20 when your population decreases, your tax base decreases, et  
21 cetera, et cetera.

22           So we're very committed to a prompt and fair  
23 process. We'd love to see this case end quickly if  
24 possible. I've known Mr. Karotkin for many years. He's a  
25 fair lawyer, and he's committed to a prompt process. We

1 know that there will be diversions. We hope that they will  
2 be minimal, but we do commit to you to a fair and prompt  
3 process, and we're willing to engage in discussions to  
4 solve the issues and try and reach prompt agreements which  
5 can be approved by the Court.

6 Just so Your Honor knows, we have an ad hoc  
7 public entities committee consisting of those 16 counties  
8 and municipalities and districts. We act as an ad hoc  
9 committee. We have sought recognition of such by the U.S.  
10 Trustee. If the U.S. Trustee does not recognize us, we are  
11 still going to be here before Your Honor acting as such,  
12 but we have sought official recognition. I just wanted you  
13 to know that.

14 THE COURT: Okay.

15 MR. ESSERMAN: Thank you.

16 THE COURT: Thank you, Mr. Esserman. Welcome to  
17 the court and we appreciate your comments.

18 MR. ESSERMAN: Thank you.

19 THE COURT: All right. Yes, sir. Good morning.

20 MR. BAGHDADI: Good morning for another 30  
21 seconds, Your Honor.

22 THE COURT: All right.

23 MR. BAGHDADI: My name is Khaldoun Baghdadi. I'm  
24 an attorney at Walkup Melodia in San Francisco, Your Honor.  
25 I am the court-appointed liaison counsel, one of three in

1 the North Bay fire coordinated proceedings in California  
2 Superior Court before Judge Karnow. I, among several other  
3 attorneys, represent those who are closest to the emotional  
4 harms and losses that brought us here today, Your Honor,  
5 and we represent several thousand individuals who are now  
6 being told they are creditors, and I've actually had some  
7 client say, I don't remember applying for credit.

8           So they are here through no choice of their own,  
9 through no voluntary decision to invest or not, but by  
10 simply paying their bills, going to work, and being a  
11 parent or a loved one. Mr. Karotkin stated when he stood  
12 before you the commitment to fair, orderly and expeditious  
13 resolution of claims, Your Honor, and we could not agree  
14 more. The work that we've already done in our capacity as  
15 leadership in the State Court cases provides a foundation  
16 which we hope to build upon, which is the exchange of  
17 information to get our hands around the extent of these  
18 harms and losses caused -- not just by North Bay but in  
19 Camp as well. Even though there has been no coordinated  
20 proceeding determined for Camp; it was stayed, we  
21 voluntarily have undertaken as the leadership group of  
22 Plaintiffs' attorneys to get our hands around and assess  
23 and learn what is the extent of harms and losses that seem  
24 to be the center of this case.

25           We have relayed our request in writing to the

1 +.S. Trustee's Office that we be recognized as a separate,  
2 stand-alone fire claimant committee because we feel that  
3 the voice that our clients represent is unique and central  
4 to the resolution of these claims, and with respect to the  
5 expeditious resolution, I'll just point to the Court,  
6 October of 2017 when several thousand people lost their  
7 homes and loved ones, nearly every one of their homeowner  
8 insurance policies provided for two years of alternative  
9 living expenses, which means in October of this year,  
10 several thousand people are going to have a serious problem  
11 in finding a place to live.

12           Expeditious and fair orderly resolution of this  
13 process is what we want to be a part of, and we feel that  
14 we would play a vital role working in collaboration with  
15 the Debtor and providing this Court with any information we  
16 can to navigate through this path to bring this Chapter to  
17 a close for our clients, sir.

18           THE COURT: Thank you for your comments, Mr.  
19 Baghhdadi. They're noted.

20           MR. BAGHDADI: Thank you.

21           THE COURT: I appreciate your time. Yes, sir.

22           MR. PITRE: Good afternoon, Your Honor, Frank  
23 Pitre of Cotchett Pitre & McCarthy. I serve as co-lead  
24 counsel -- I have that privilege -- on behalf of all the  
25 victims of the North Bay fires. I also hold leadership

1 positions in the Butte fires, and also have an informal  
2 leadership role with respect to the Camp fires. We have  
3 asked the U.S. Trustee to consider our group, the  
4 leadership group, as a separate committee for the reasons  
5 Mr. Baghdadi has already said. The only comment I would  
6 make in addition to his is that as opposed to the word  
7 "expeditious," I would substitute the word "urgent."

8           Right now, there are thousands who are living in  
9 trailers. There are elderly individuals who had  
10 preferences in getting their cases to trial in the State  
11 Courts. A State Court case was set for trial for one of  
12 those cases which we hoped would be a benchmark for the  
13 resolution of all cases for September. There's a lot of  
14 exceptional talent in this room. I ask that that  
15 exceptional talent, together with your stewardship, Your  
16 Honor, insure that this process moves with a sense of  
17 urgency on behalf of all those individuals who are going to  
18 either be homeless or will continue to live in trailers and  
19 search for food out of garbage cans, and there's got to be  
20 a way in this process to provide for urgent relief for  
21 those individuals.

22           Those are my comments, and I appreciate the  
23 Court's time.

24           THE COURT: Thank you, Mr. Pitre. I appreciate  
25 your comments. Yes, ma'am. Good afternoon.

1 MS. ALEXANDER: Good afternoon, Your Honor, Mary  
2 Alexander, Mary Alexander and Associates here in San  
3 Francisco, and I am the liaison counsel appointed by Judge  
4 Fillman (Phonetic) in the Ghost Ship case. I also have  
5 another hat of leadership in the wildfires cases.

6 THE COURT: Well the Ghost Ship case isn't  
7 relevant to this case; is it?

8 MS. ALEXANDER: Yes, it is.

9 THE COURT: It is? Okay.

10 MS. ALEXANDER: We're suing PG&E in that case,  
11 Your Honor.

12 THE COURT: Okay. I wasn't aware of that. I'm  
13 aware of the Ghost Ship fire; I wasn't aware that there  
14 was a --

15 MS. ALEXANDER: Right. They are a Defendant. And  
16 so, Your Honor, I stand before you with regard to the --  
17 it's about 34 of the wrongful deaths that came forward and  
18 also personal injury, and you just granted the insurance  
19 motion brought by the Debtor. I would ask, Your Honor,  
20 that we look at and ask the Debtors to turn over the  
21 information regarding their insurance. The Ghost Ship fire  
22 is a different year, and as I understand it, a different  
23 year policy from the other fires, but I think it would be  
24 very relevant to these proceedings if the Debtors do  
25 disclose what policies will cover personal injury.



1           THE COURT: Well, I assume you're familiar with  
2 the Bankruptcy Rules for discovery. I mean many of us in  
3 the bankruptcy world skip the rules and do it on an  
4 informal basis, but if you're unable to do it on an  
5 informal basis, there are formal ways. I'm not saying  
6 you're going to get them or you're not going to get them,  
7 but it's a different environment, and I hope you'll at  
8 least try to -- see what the Debtor has to say as far as  
9 what you're looking for. Okay?

10           MS. ALEXANDER: I will do that, Your Honor. Thank  
11 you very much.

12           THE COURT: Thank you, Ms. Alexander. Yes, sir.  
13 Oh wait -- well, I tell you what. We'll get to this  
14 gentleman at the podium and then I'll take someone on the  
15 phone just to be -- divide the load here.

16           MR. FELDMAN: Good morning, Your Honor. For the  
17 record, Matthew Feldman from the law firm of Wilkie Farr &  
18 Gallagher. I am here, Your Honor, on behalf of the ad hoc  
19 group of subrogation claim holders. I'm joined today, Your  
20 Honor, by Craig Simon from Berger Khan. Mr. Simon is one  
21 of the lead lawyers appointed by the State Court in the  
22 North Bay fire litigation.

23           Your Honor, we are also here committed to tell  
24 the Court that we do believe an expeditious and fair  
25 resolution of these cases is possible, and it's going to be

1 possible, Your Honor, we think, working collectively with  
2 ourselves, with the municipalities, as well as with the  
3 individual plaintiffs. We have been engaged, Your Honor,  
4 with the company for many, many months -- I would actually  
5 caution years -- over mediation regarding claim amounts.  
6 We are continuing to discuss with the company whether we  
7 can come to resolution with respect to claim amounts. Our  
8 clients, Your Honor, have paid and reserved many billions  
9 of dollars in connection with these fires.

10 THE COURT: Your clients -- the subrogation claims  
11 are essentially insurance carriers, right?

12 MR. FELDMAN: They are essentially the insurance  
13 companies who have paid out and have reserved on claims.

14 THE COURT: No, I'm aware of how it works. The  
15 terminology and the way you were just referring to the  
16 groups, I just don't know them by name, but I got it.

17 MR. FELDMAN: Understood, Your Honor. We will  
18 continue to be and want to be a positive presence in these  
19 cases. We do support the relief requested by the Debtors  
20 today. There is a critical point that I don't believe is  
21 lost on the Court, but I do want to emphasize, the success  
22 of this case really depends in large part upon the value of  
23 these companies going forward.

24 THE COURT: I'm aware of that.

25 MR. FELDMAN: So the orders that you're entering,

1 Your Honor, today to preserve that value are not just  
2 critical for the individual critical vendors who may get  
3 paid; they're critical for all of us, if in fact we expect  
4 these cases to be successful. Thank you, Your Honor.

5 THE COURT: Got it. Thank you, Mr. Feldman, and  
6 welcome to the court. I appreciate your comments. Yes,  
7 sir. Oh, you know what? I said -- someone on the phone,  
8 first up on the phone. Go ahead. Name?

9 MR. VILAPIANA: Thank you, Your Honor. Victor  
10 Vilapiana in San Diego.

11 THE COURT: Good morning, Mr. Vilapiana.

12 MR. VILPIANA: I'm here with Mr. Tom Tosval.

13 MR. TOSVAL: Good morning, Judge, good to talk to  
14 you.

15 MR. VILAPIANA: I'm here with Mr. Tom Tosdal who  
16 is one of the lead litigators for the fire victims, and  
17 Mr. Tosdal would like to address the Court.

18 THE COURT: All right.

19 MR. TOSVAL: Good morning, Your Honor.

20 THE COURT: Good morning. Yes, sir. Just restate  
21 your name for the court reporter. Go ahead.

22 MR. TOSDAL: Tom Tosdal, T-o-s-d-a-l.

23 THE COURT: Okay, thank you.

24 MR. TOSDAL: I represent many but by no means all  
25 of the fire victims in the PG&E fires, and we look forward

1 to having an actual functional fire victim creditors'  
2 committee that can play an integral role in this bankruptcy  
3 proceeding. The interests of the fire victims are both  
4 unified in terms of obtaining full and fair compensation as  
5 well as the interests are diverse in terms of the nature of  
6 the loss and other factors affecting ultimate compensation  
7 should that occur in this proceeding or some other. I echo  
8 the comments of my colleagues, Mr. Baghdadi and Mr. Petri  
9 that the harm caused by these fires goes far beyond a money  
10 transaction. There's no decision made by these people to  
11 invest or play the stock market with PG&E, and they should  
12 be put as far up front as the law allows. Thank you very  
13 much.

14 THE COURT: All right. Appreciate your comments.  
15 Thank you. All right. Back to the court appearances. Yes  
16 sir.

17 MR. DUNNE: Good afternoon, Your Honor, for the  
18 record Dennis Dunne from Millbank Tweed Hadley and McCloy  
19 on behalf of an ad hoc committee of certain institutions  
20 that hold in excess of seven billion dollars of the  
21 unsecured bonds against -- or issued by Pacific Gas and  
22 Electric. Both that group and that number are growing, so  
23 I expect as I reappear, I will have different information  
24 for the Court.

25 I rise to do two things. One is to introduce

1 myself and the group to Your Honor. I suspect that we will  
2 be a repeat presence at these hearings.

3 THE COURT: I suspect.

4 MR. DUNNE: And also to -- and I'm echoing some of  
5 the comments that Mr. Feldman had who immediately preceded  
6 me in the courtroom to underscore the need for a seamless  
7 transition into Chapter 11 and to have no disruption to  
8 operations and service. That, I submit, is in everybody's  
9 best interest today. We expect going forward to work  
10 daily, closely, collaboratively with not just the Debtors  
11 whom we've had a good working relationship with thus far,  
12 but with all the parties in the case so that we can get to  
13 a just, fair, lawful and expeditious outcome.

14 I'm sure I'll have our disagreements with the  
15 Debtors at some point in the case potentially but our  
16 working relationship has been such that we'll try to deal  
17 with those outside the courtroom and bring as few  
18 disagreements to Your Honor as possible. And so to just  
19 sum up, we think that the Court should grant the relief  
20 requested today. We didn't object to any of them. There's  
21 some that we may be back to you when they expand some of  
22 the first-day relief, for instance, on the NOL trading  
23 order, but that's not for today, because it only applies to  
24 the equity today.

25 THE COURT: Right.

1 MR. DUNNE: And we urge the Court to enter the  
2 appropriate orders today. Thank you.

3 THE COURT: Okay, thank you, Mr. Dunne. Welcome  
4 to the Court.

5 MR. DUNNE: Thank you.

6 THE COURT: All right. I'll go to the next --  
7 anyone on the phone? Is there another speaker on the  
8 phone?

9 (No response.)

10 All right. No. All right. Yes, ma'am, good morning or  
11 good afternoon, excuse me.

12 MR. RIDDLE: Good afternoon, Your Honor, Amanda  
13 Riddle from Corey, Luzaich, De Ghetaldi & Riddle. I am  
14 court-appointed liaison counsel in the 2015 Butte fire  
15 cases. I also represent several hundred North Bay fire  
16 case clients, victims, and I also represent over half of  
17 the Plaintiffs who have -- or the claimants who have filed  
18 cases so far in the Camp fire. I'm also counsel for  
19 victims of the 2015 PG&E gas line explosion in Fresno. I  
20 wanted to join in the comments of my colleagues. Mr.  
21 Baghdadi and Mr. Petri, but draw your attention to the  
22 Butte fire cases which those victims have started referring  
23 to themselves as the "forgotten victims," unfortunately.  
24 PG&E never mentions them even though there are over a  
25 thousand Butte fire 2015 Butte fire plaintiffs, victims,

1 whose cases are still waiting to be resolved. That  
2 includes 48 household whose cases have been settled, but  
3 PG&E has not satisfied those settlements. A number of  
4 those settlements came due before the petition was filed,  
5 and PG&E chose to default on those settlements.

6 We also had an April 1<sup>st</sup> trial date, a benchmark  
7 trial, for the Butte fire cases for nine households, and  
8 that was going to be used to set benchmarks for the  
9 remainder of the Plaintiffs in the litigation. So when  
10 PG&E talks about this process being expeditious and best  
11 for wildfire victims, I think it's purposeful that they  
12 forget to mention the ones who have been waiting for three  
13 and a half years for resolution. We have clients who are  
14 still living in trailers on burnt-out property on  
15 generators because they did not have insurance to rebuild.  
16 And they were supposed to get their trial date, and PG&E  
17 chose instead to file bankruptcy instead of accelerating a  
18 resolution with them and getting them out of harm's way.  
19 So I would just ask that the Court give as much priority to  
20 the wildfire victims as available under the law. Thank  
21 you.

22 THE COURT: Thank you, Ms. Riddle. I appreciate  
23 your comments. Yes, sir.

24 MR. BENNETT: I guess it's good afternoon, Your  
25 Honor.

1           THE COURT: Oh yeah, it is somewhere. I mean in  
2 Hawaii it's still good morning. I need a name from you.

3           MR. BENNETT: I'm Bruce Bennett of Jones Day.

4           THE COURT: I know you, Mr. Bennett, but I need it  
5 for the record.

6           MR. BENNETT: The clients of Jones Day, Your  
7 Honor, hold more than 20 percent of the issued and  
8 outstanding equity of PG&E Corporation, and I want to  
9 emphasize that the holders of the equity, while they  
10 include a number of institutions, also include large mutual  
11 funds that are also -- hold for individual investors, moms  
12 and pops and retirees, and many other retail participants  
13 in the case.

14           We too have been in consultation with the Debtors  
15 concerning the relief requested today. We've had some  
16 input to some of the orders, in particular the order  
17 relating to the claims trading and equity trading  
18 provisions which you'll hear about later today. For all  
19 the reasons expressed by Mr. Dunne, we are very supportive  
20 of the Debtors' efforts to enter Chapter 11 smoothly, to  
21 continue to perform all of its obligations to its customers  
22 and other stakeholders, and to assure that the value of the  
23 businesses is maximized because after all that's what  
24 everyone in this case ought to be interested in. Thank  
25 you, Your Honor.



1           THE COURT: Thank you, Mr. Bennett. Anyone else  
2 on the phone want to be heard?

3           (No response.)

4           All right. Anyone else? Well then, I think  
5 rather than go back to our agenda, I'll call our midday  
6 recess, and resume at 1:30. Does that work for you, Mr.  
7 Karotkin and everyone on your side? I mean I'd make it  
8 shorter, but we have a lot of people, and in and out, and  
9 let's double check on --

10          MR. KAROTKIN: The only thing, if I may, I just  
11 think it's essential that we get through all of the motions  
12 today. We don't have that many left.

13          THE COURT: I do too. You know, unfortunately  
14 there's some big ticket items though, right? We've got the  
15 taxes and the customer programs and the wages and the DIP,  
16 right?

17          MR. KAROTKIN: Yes, and I can tell you that as  
18 to --

19          THE COURT: And the NOL one also.

20          MR. KAROTKIN: As to most of those, there are few,  
21 if any, objections --

22          THE COURT: Yes, I know that.

23          MR. KAROTKIN: -- remaining, so I think that --

24          THE COURT: Well, I mean if you thought we could  
25 wrap this up in, you know, 45 minutes, I'd just go straight

1 through, but -- I mean I'm not trying to punish people.

2 MR. KAROTKIN: I think it's possible.

3 THE COURT: Well, but -- even for the DIP motion?

4 MR. KAROTKIN: I do. I think Mr. Zumbro is going  
5 to be handling that. I think most of the DIP -- many of  
6 the issues relating to the DIP have been resolved.

7 THE COURT: You haven't heard from me.

8 (Laughter.)

9 I'm going to reserve three hours.

10 MR. KAROTKIN: If you had filed your objection on  
11 time, Your Honor, maybe --

12 (Laughter.)

13 THE COURT: We're kind of easy on the rules here.  
14 Well, all right. I'll take your suggestion and, you know,  
15 we will have a starvation world here, and we will not take  
16 a lunch break. I guess I'll revisit it if we get bogged  
17 down. So I'm going to let you go ahead and take the  
18 sequence for what's left and as I say --

19 MR. KAROTKIN: Sure. I think according to the  
20 agenda, the next one is taxes. Is that what you have, sir?

21 THE COURT: That's right.

22 MR. KAROTKIN: Okay. My colleague, Ms. Liou, will  
23 handle the next two motions.

24 THE COURT: Okay.

25 MR. KAROTKIN: Thank you.

1 THE COURT: Ms. Liou, good afternoon.

2 MR. LIOU: Good afternoon, Your Honor, Jessica  
3 Liou from Weil Gotshal and Manges, here on behalf of the  
4 Debtors. The next item on the agenda is Docket Entry No.  
5 11, Agenda Item 12, which is the Debtors' motion seeking  
6 approval to pay certain pre-petition taxes and assessments  
7 and granting related relief.

8 THE COURT: And the way I read it, you get interim  
9 authority, temporary -- I mean remedial authority for  
10 around 11 million dollars to pay and then at the final  
11 hearing 139 million. Some are priority claims; some are  
12 post-petition, a variety of things.

13 MS. LIOU: That's correct.

14 THE COURT: Are there any objections that you  
15 received?

16 MS. LIOU: Absolutely none that I'm aware of.

17 THE COURT: Anyone either in the court or the  
18 overflow or on the phone want to be heard on the tax  
19 motion?

20 (No response.)

21 I have no objections. I reviewed it, understand  
22 it. That motion will be granted.

23 MR. LIOU: Thank you very much, Your Honor.

24 Next on the agenda is Item No. 13. It's Docket  
25 Entry No. 16. It's what the Debtors have termed their

1 Public Programs and Customer Programs Motion. As Your  
2 Honor may be aware, we did receive a couple of filed  
3 statements in response to the Customer Program Motion. I'd  
4 like to take a moment to go through those on the record  
5 with Your Honor and indicate where we have resolved certain  
6 of the statements. I also do want to note that we have  
7 been working extensively with the staff of the CPUC  
8 regarding the motion itself and the provisions of the  
9 order, and that the U.S. Trustee's office has not objected  
10 to this requested relief.

11 THE COURT: Okay.

12 MR. LIOU: At Docket No. 66, Sonoma Clean Power  
13 Authority filed a statement in support and reservation of  
14 rights. We have communicated with their attorneys and  
15 confirmed that their issues are all resolved. They have  
16 filed a separate statement in connection with entry of the  
17 DIP order and given that there were some proposed changes  
18 to the DIP order, that is fully resolved -- their issues  
19 with respect to not only the DIP, but also this Customer  
20 Programs Motion.

21 THE COURT: Okay. That's good to hear.

22 MS. LIOU: At Docket No. 147, that's ChargePoint,  
23 Inc.'s conditional non-opposition that was filed. We have  
24 worked out some language with them that I believe fully  
25 resolves their conditional non-opposition, and they now

1 support the relief requested. I will go through those  
2 interlineated edits in the order in a moment because I  
3 believe that those edits also resolve Docket Item No. 158  
4 which is the preliminary objection filed on behalf of  
5 various California State Agencies.

6 THE COURT: Well again, as you heard me speak  
7 earlier this morning, I just have not been able to keep up  
8 with the pace. So you summarized what's there, and to the  
9 extent that you or the Debtor has resolved them, we will  
10 make that on the record and go from there and get  
11 confirmation from any counsel.

12 MS. LIOU: Correct.

13 THE COURT: And I did look over the ChargePoint  
14 one because that was one that came in a little earlier, and  
15 I understand it. So that's fine.

16 MS. LIOU: Yes. And there are two other remaining  
17 statements. That's Docket Entry No. 156 filed on behalf of  
18 Marin Clean Energy. We confirmed with counsel that that is  
19 also fully resolved. We confirmed with Marin Clean Energy  
20 that their program is part of the customer programs  
21 included in the motion.

22 THE COURT: Okay. Well, that's it. That's the  
23 easy way to get people to come around is to get them on the  
24 program.

25 MS. LIOU: That's right. And then the last one is

1 Docket No. 170. That's Air (could be Area) Petroleum  
2 Reservation of Rights that was filed. I do not believe  
3 that there's any action required as a result of that  
4 reservation of rights being filed at this point in time.

5 THE COURT: So you probably heard me have some  
6 conversation earlier in the day with your colleague, and  
7 this one is the one that is teed up as a two-step motion,  
8 but if I grant the motion, there's nothing to do really at  
9 the final hearing other than to ratify it, right?

10 MS. LIOU: That's correct.

11 THE COURT: Yeah. I mean I guess what I want -- I  
12 just want to make sure we're clear that -- I'm sure in your  
13 experience and in my experience and in a lot of the  
14 bankruptcy lawyers' experience, as I said earlier, this  
15 concept of a preliminary hearing and a certain amount of  
16 things happening, whether it be money borrowed or payments  
17 made, followed by more, gives people an opportunity  
18 particularly when we're operating under this enormously  
19 tight time schedule, but this one looked like, okay,  
20 there's a lot of money being spent and there's going to be  
21 a final hearing, but by the time of the final hearing, the  
22 money is either all spent or committed.

23 MR. LIOU: Well, I think that there's actually a  
24 significant portion of the relief that is reserved for the  
25 final hearing. We do provide an estimate in the motion of

1 what we anticipate we will spend during the interim period  
2 which is about approximately 215 million dollars plus any  
3 additional CPUC costs on top of that. But I share your  
4 concern. Your Honor, I would just say that, you know, this  
5 motion is critically important to many constituencies for  
6 many reasons.

7 THE COURT: Oh, I know it is. I mean I'm  
8 absolutely convinced. And that was my point, and maybe I  
9 missed it, but think in one or two of the other similar  
10 motions --

11 MR. LIOU: There is no interim cap if that's the  
12 question that you're asking.

13 THE COURT: Well, I think, for example, in a  
14 couple of the other ones, I had a table with "X" dollars to  
15 be spent now; "Y" dollars to be spent later, and I just  
16 wanted to get a sense. I'm not opposing this; I'm not  
17 going to impose anything on my own, and the people that  
18 have had a chance to weigh in on it, including some counsel  
19 behind you, that's fine. And we don't need to dwell on it  
20 now. In fact, why don't I shut up and see what the  
21 gentlemen behind you want to say.

22 MS. LIOU: Sure. But, Your Honor, if I may, at  
23 least go through the changes to the proposed order that we  
24 had agreed to with two of the parties that have filed  
25 statements.

1 THE COURT: All right. Okay.

2 MS. LIOU: If you have a copy of the order in  
3 front of you.

4 THE COURT: I do. Yes, I do.

5 MS. LIOU: All right. The only changes are with  
6 respect to paragraph 2, and if you go about halfway down  
7 into that paragraph, there's a Romanette ii.

8 THE COURT: Yes.

9 MS. LIOU: The original language read: "Continue,  
10 comma, renew, comma, replace, comma, implement, new, comma  
11 and/or terminate one or more of the customer programs.  
12 There were certain parties who raised concerns about the  
13 termination language and so we have agreed to modify that  
14 language to make clear that the Debtors intend to continue  
15 to perform in accordance with applicable law their  
16 obligations under the customer programs. So we have now  
17 revised that language to Romanette ii:

18 "... continue to perform in accordance with  
19 applicable law one or more of the customer  
20 programs."

21 THE COURT: Okay.

22 MS. LIOU: And then if you go three lines down,  
23 there's language that reads "as they deem appropriate."  
24 We've agreed to strike that language. The Debtors will  
25 obviously perform their obligations in the ordinary course



1 of business in accordance with what Federal, State and  
2 other regulations require.

3 THE COURT: Okay. I appreciate that, Ms. Liou.  
4 Those are the only changes?

5 MR. LIOU: Yes.

6 THE COURT: All right. Counsel? Mr. Harris?

7 MR. HARRIS: Good afternoon, Your Honor, Robert  
8 Harris of Binder and Malter appearing for ChargePoint, Inc.  
9 Ms. Liou has accurately represented our agreed changes to  
10 the order, and we withdraw our objection.

11 THE COURT: Okay. Thank you, Mr. Harris. Yes,  
12 sir.

13 MR. PASCUZZI: Good afternoon, Your Honor, Paul  
14 Pascuzzi, Felderstein, Fitzgerald, Willoughby & Pascuzzi.  
15 We are co-counsel with the California Attorney General's  
16 Office for various State agencies, the ones --

17 THE COURT: I expected you here. You're a  
18 regular.

19 MR. PASCUZZI: Thank you, Your Honor. The State  
20 agencies on our pleading in this particular matter are the  
21 California Department of Toxic Substances Control,  
22 California Department of Water Resources, State Water  
23 Resources Control Board, Regional Water Quality Control  
24 Boards and State Energy Resources Conservation and  
25 Development Commission. Your Honor, we do support the

1 purpose of this motion to be able for the Debtors to  
2 continue these programs and pay pre-petition obligations in  
3 connection with the programs. But we did have an issue  
4 with paragraph 2. Of course, a lot of these clients  
5 regulate PG&E, and our main concern is that nothing in the  
6 Bankruptcy Court's order is supplanting any non-bankruptcy  
7 laws, orders, et cetera, that PG&E and the Debtors would  
8 otherwise have to comply with. So you'll hear me appearing  
9 on those types of issues throughout the case.

10 THE COURT: But is there any other change you want  
11 to paragraph 2 that you --

12 MR. PASCUZZI: No, Your Honor. The one thing was  
13 in accordance with applicable laws, I didn't know if  
14 counsel said "law" or "laws." So I requested it say  
15 "laws," Your Honor, and then --

16 THE COURT: Well, you can just pick one.

17 (Laughter.)

18 MR. PASCUZZI: And then, Your Honor, as I  
19 understand it, this is an interim motion. There will be a  
20 final hearing on it, and, you know, we do have other  
21 potential State agencies that will be clients that will be  
22 weighing in, and we'll be talking to about this motion in  
23 lines of the concern I mentioned, so we do want to reserve  
24 our rights as to the final hearing on this motion and the  
25 other motions to file further oppositions or whatever and

1 identify additional clients that may have issues.

2 THE COURT: Okay. Well, that's noted on the  
3 record. I don't think anybody is trying to pull a "got  
4 you" on you here, so --

5 MR. PASCUZZI: Understood, Your Honor.

6 THE COURT: Okay.

7 MR. PASCUZZI: Thank you.

8 THE COURT: Thank you, Mr. Pascuzzi.

9 MR. ENGEL: Good morning, Your Honor.

10 THE COURT: Good afternoon.

11 MR. ENGEL: I guess it's afternoon now. Larry  
12 Engel for Sonoma Clean Power Authority. We are a  
13 governmental unit, also a joint power authority, a  
14 community choice aggregator, what they call a CCA. We filed  
15 statements and then also talked to the folks at PG&E and  
16 some of the DIP lenders and others and had very  
17 constructive conversations, and we've resolved our issues  
18 and thank them for their cooperation. I just wanted to  
19 address one point for you in your questioning, that perhaps  
20 would be useful to you, which is just to emphasize that  
21 PG&E as to the CCA's and there are eleven of them in this  
22 territory, we're going to be 40 percent of the entire PG&E  
23 grid power for this coming year, 2019. And so it's a  
24 significant amount of involvement here. And the point  
25 we're making is that PG&E is a billing and collection

1 agent, a conduit for us. It's actually our money that  
2 they're giving us back, so we're actually expecting things  
3 to continue in the ordinary course, and that's really the  
4 purpose as it relates to us of this motion.

5           So as between an interim hearing and a final  
6 hearing, I don't think -- we're certainly hoping there's  
7 nothing going to happen between us because we actually  
8 would like our money on a regular basis because it's  
9 essentially all our money.

10           THE COURT: But there's nothing that suggests  
11 otherwise.

12           MR. ENGEL: No, only Your Honor seemed to be  
13 concerned about something happening in that interim period  
14 between the interim and the final hearing, and I --

15           THE COURT: No. I think what I was trying to  
16 explain to you, again trying to absorb all these different  
17 motions in short order, a couple of them had steps with  
18 real dollar signs, and they were big dollars.

19           MR. ENGEL: Right.

20           THE COURT: And some didn't. So I just needed to  
21 understand that.

22           MR. ENGEL: Well, I think the reason there is no  
23 dollar amount for us is that they're just giving us back  
24 our own money.

25           THE COURT: Well, maybe that's the reason. I

1 understand the point.

2 MR. ENGEL: Okay.

3 THE COURT: But it looks to me, Mr. Engel, like  
4 the Debtors' position, vis-a-vis your clients, is this  
5 usual?

6 MR. ENGEL: Yes. Exactly.

7 THE COURT: Yeah. Right. Okay. And if they try  
8 to keep the money that they're -- I'll hear from you.

9 MR. ENGEL: We've gotten very reasonable  
10 assurances from them that that won't happen, and we're  
11 looking forward to cooperation, Thank you.

12 THE COURT: Thank you for coming. Anyone on the  
13 phone want to be heard on the issues raised by Ms. Liou and  
14 were discussed?

15 (No response.)

16 Okay. Well, I'm prepared to approve then the  
17 Customer Program Motion with the changes that you have made  
18 and the order that you submit and upload.

19 MS. LIOU: Thank you, Your Honor.

20 THE COURT: Thank you very much.

21 MS. LIOU: I will now give the podium back to Mr.  
22 Karotkin.

23 THE COURT: Mr. Karotkin, where do we go next?  
24 You're the guy that said everybody gets a lunch break at  
25 1:00 o'clock, so you're going to do that DIP motion at two

1 minutes to 1:00?

2 MR. KAROTKIN: I'm not doing that one, Your Honor.

3 (Laughter.)

4 You can hold them accountable for that one. I  
5 think the next one is the Employee Wage and Benefit Motion.

6 THE COURT: Okay.

7 MR. KAROTKIN: I know it's a long motion and it  
8 covers a lot of different programs and benefits, but I  
9 think it's fairly conventional. Obviously the employees --  
10 there are 24,000 of them -- they make this operation run  
11 and it's essential that we pay them their compensation to  
12 the extent there are some pre-petition amounts outstanding,  
13 and I will say that that is principally related to the  
14 hourly paid employees. The number appears fairly large,  
15 but there are like 14,000 of them, I believe, and as to all  
16 of those, Your Honor, they are under the cap with respect  
17 to the compensation. As I mentioned, I believe, on  
18 Tuesday, we are not seeking any authority to pay severance  
19 to insiders.

20 THE COURT: You did mention that.

21 MR. KAROTKIN: And we are also not seeking  
22 authority to pay any CERP (Phonetic) supplemental pension  
23 payments to any retirees, and there was some confusion,  
24 Your Honor, in some of the newspaper articles at least, and  
25 I think that the Office of the United States Trustee raised

1 it with us last night, as to the -- what we call the 2018  
2 Stip, which is a broad-based, by the way, program. It  
3 covers about 12 to 14,000 employees.

4 THE COURT: Right. I saw that.

5 MR. KAROTKIN: We are not seeking any approval of  
6 that today. That's reserved for the final hearing, and  
7 again, to clarify what was inaccurately reported in the  
8 newspapers, in addition to not covering any insiders, that  
9 authority we are seeking does not cover any officers.

10 THE COURT: Well, did I read correctly there are  
11 12 specific people -- maybe they're not identified by name,  
12 but they mention that they are not -- I mean just the  
13 number, 12 people, are not --

14 MR. KAROTKIN: Well, in addition to about 26 other  
15 people, so about 38 people, who we're not seeking approval  
16 for anything that's under the stip. So it goes beyond the  
17 insiders.

18 THE COURT: But those 38 people are not identified  
19 by name anywhere in the documents.

20 MR. KAROTKIN: That's correct.

21 THE COURT: Okay.

22 MR. KAROTKIN: That is correct.

23 THE COURT: Okay.

24 MR. KAROTKIN: But those are the officer group.

25 Okay?

1           THE COURT: Understood. So this is the one  
2 that -- this is in that same category that I raised before.  
3 If I approve this, and I'll hear from anybody that wants to  
4 be heard, but if I approve it, what happens at the final  
5 hearing? I mean it's a done deal; isn't it, for all the  
6 people that are the beneficiaries of this motion?

7           MR. KAROTKIN: No, it's not a done deal because  
8 if you look on page -- I believe it's page 10 -- there is  
9 an amount related to the interim period and an amount  
10 related to the final period.

11          THE COURT: Okay. Again, I stand corrected. It's  
12 another ten million dollars. I got it. No, I'm sorry, no,  
13 no, it's more than that.

14          MR. KAROTKIN: Yes, it's more than that.

15          THE COURT: One of your table had totals, and this  
16 one did not. No, it's significantly more.

17          MR. KAROTKIN: Yes. But again, if you were --

18          THE COURT: But several of them are not affected  
19 at all. They're just across the board.

20          MR. KAROTKIN: Right. Yes. But as to the  
21 compensation obligations, Your Honor, that's two weeks pay.

22          THE COURT: I understand.

23          MR. KAROTKIN: Okay. So obviously they'd all be  
24 paid, and if you look at the next one, it's significantly  
25 less than what we're seeking on a final basis.



1 THE COURT: Actually, the incentive and retention  
2 program, the stip, is the big one that is the final  
3 hearing.

4 MR. KAROTKIN: Yes, being deferred, yes.

5 THE COURT: And it's a relatively small increase  
6 for the other line items.

7 MR. KAROTKIN: Yes, it is, but --

8 THE COURT: Again, I'm not here negotiating it or  
9 even taking it -- being opposed to it. I just want to  
10 understand it, and I misspoke earlier when I said this  
11 motion was going to be a done deal, because you corrected  
12 me; it was not.

13 MR. KAROTKIN: And I will note, Your Honor, on  
14 withholding obligations, if you look at Footnote 2,  
15 substantially all of that is withholding from employees'  
16 paychecks, and the rest of it is the employer's  
17 contribution, pretty much trust fund taxes. Severance  
18 obligations are very small. The benefit obligations, a lot  
19 of those are paid by either employee or retiree  
20 contributions. And again, these are conventional health  
21 and welfare programs. We've been very careful to narrowly  
22 tailor this motion not to encompass, as I mentioned,  
23 supplemental retiree benefits or deferred compensation for  
24 retirees.

25 THE COURT: Right. Well, let's talk about

1 objections. There was at least one objection; wasn't  
2 there, or two that were filed?

3 MR. KAROTKIN: I think there was only one.

4 THE COURT: Okay.

5 MR. KAROTKIN: I'm sorry, two?

6 THE COURT: Well, let's -- if you think there's  
7 only, tell me how you're responding, and if there's another  
8 one, we'll --

9 MR. KAROTKIN: This gentleman said he filed an  
10 objection. I will stand corrected.

11 THE COURT: Okay. Let's just -- what I want to  
12 hear from you is how you're responding to any objections  
13 because again, this is in that same category where I have  
14 to rely on you to tell me what the Debtors' position is.

15 MR. KAROTKIN: I think the U.S. Trustee's  
16 objection was solely related to the statutory cap.

17 THE COURT: And there is some cap -- there are  
18 some --

19 MR. KAROTKIN: Yes. As to the compensation, it's  
20 clearly within the cap, Your Honor. As to some of the  
21 other benefits, such as medical benefits, those are normal.  
22 They are paid over time, and again, they cover 24,000  
23 employees. It's really impossible to calculate in any  
24 manner how much each employee is entitled to. We certainly  
25 don't want to be in a position to not being able to pay

1 normal medical benefits to our employees. We think that  
2 will send -- that will be disastrous for the operation of  
3 this business. These are routine health claims  
4 essentially. That's where the big number comes in, and  
5 there is really no way of determining whether or not that  
6 is over the cap by individual because literally thousands  
7 of claims are handled on a monthly basis.

8 THE COURT: Okay. Well, Ms. Kelly can respond if  
9 she wants to. Hang on to that objection. Did you want to  
10 go to another one?

11 MR. KAROTKIN: Yeah. The other objection I think  
12 that was raised by the United States Trustee and I think I  
13 mentioned it earlier, was the stip payment, and that's  
14 again reserved for the final hearing. So I don't think  
15 there's any need to get into that today.

16 THE COURT: Ms. Kelly, do you want to be heard on  
17 this, to the extent that the motion exceeds the statutory  
18 cap for anyone?

19 MS. KELLY: Your Honor, with respect to the  
20 statutory cap, we wanted clarification because it was  
21 unclear in the motion. It referred to them being below,  
22 but it was unclear what part of that was wages and some  
23 mentioned benefits. So now counsel is saying it's  
24 impossible to tell. Obviously we're not saying that people  
25 shouldn't have their medical benefits. However, it is

1   troubling that there are elements of compensation that the  
2   Debtor is saying are impossible to calculate at this point.  
3   So I will --

4           THE COURT: Well, maybe what they're saying is  
5   it's impossible to sort of draw the line where the cap is  
6   for each and every one of the 24,000 employees, because  
7   somebody who is paid, you know, minimum wage is probably  
8   under the cap no matter what. Somebody who is paid a  
9   significant pay because he or she does more valuable --  
10   more highly compensated work, is going to be over the cap.  
11   And that's what I think he's saying. And really the  
12   question as I see it is, the Debtor has this work force,  
13   business as usual, and you're interposing possibly an  
14   objection as to those who are over the cap.

15           MS. KELLY: Your Honor, what I would say on that  
16   is, of course, it is the job of the U.S. Trustee to argue  
17   that the law, the Code, and the Rules, should be enforced  
18   as written, so --

19           THE COURT: I'm not quarreling with you.

20           MS. KELLY: On this issue, those are the facts  
21   that have been presented today, and so at this point, I  
22   would just maintain our objection, and I defer to Your  
23   Honor to rule on it.

24           THE COURT: Right. Okay. I got it. All right.  
25   Now the gentleman behind you. Let's get the -- there are

1 objections, I think. I think you interposed an objection  
2 earlier, right?

3 MR. DE GHETALDI: I did, Your Honor. I was  
4 speaking -- I did file one this morning.

5 THE COURT: Right. And I've got your name right  
6 now, but I need to have you state your name again, just  
7 because to state your appearance.

8 MR. DE GHETALDI: Right. I'm sorry, Your Honor.  
9 Dario De Ghetaldi, once again.

10 THE COURT: And I have it noted so I wouldn't say  
11 it wrong. Okay. I got you.

12 MR. DE GHETALDI: I'm sure you didn't misspell it  
13 either, right?

14 THE COURT: No. I misspell my name occasionally  
15 too. Mr. De Gethaldi, thank you, and I'm sorry I got your  
16 name mixed up before, but anyway, what do you want to say?

17 MR. DE GHETALDI: That's okay, Your Honor. Our  
18 objection here is -- well, the motion with respect to  
19 payment of bonuses is not clear. It does not identify the  
20 employees that PG&E is planning on giving the short-term  
21 incentive program bonuses to or the amounts. And we have  
22 specifically -- our written objection specifically objects  
23 to payment to those individuals in the vegetation  
24 management division and in the risk evaluation division and  
25 to executives such as Geisha Williams. (Phonetic) To give

1 those bonuses priority over the claims of our clients and  
2 those other parties who have final written executed and  
3 effective settlements with PG&E that are unfunded, we would  
4 like to see more detail from PG&E on the identities and the  
5 amounts of those bonuses that they're seeking to pay to the  
6 individuals in those programs.

7 THE COURT: Well, you did hear, and the papers do  
8 say officers and directors, right?

9 MR. DE GHETALDI: Officers and directors and what  
10 is or is not an officer in PG&E is not exactly clear  
11 because they have directors who are not on the Board of  
12 Directors, and their management structure is a little  
13 opaque in that respect. So names, amounts, to allow us to  
14 make more specific objections.

15 THE COURT: But I gather you're zeroing in  
16 specifically on two other categories of employees because  
17 of what they've done, risk evaluation and I think you said  
18 vegetation management.

19 MR. DE GHETALDI: Yes.

20 THE COURT: I mean I realize that both of those  
21 labels or titles suggest why you're saying that, but how do  
22 I do anything about that? I mean what about somebody that  
23 was doing the line repair job in, you know, Berkeley,  
24 California is in the same legal category as somebody who is  
25 an employee in either of those divisions. So how do I draw

1 the line for that? I'm not talking about senior  
2 management.

3 MR. DE GHETALDI: Okay. Your Honor, the reason we  
4 would like the names, and we can work with the division --  
5 with PG&E with respect to the divisions where these  
6 employees would be assigned during the 2012 to 2015 time  
7 period leading up to the Butte fire, but we want to be able  
8 to make specific objections to those employees that we  
9 believe had a part in the fault of creating the Butte fire.

10 THE COURT: Are those individuals named as  
11 defendants in State Court actions?

12 MR. DE GHETALDI: No, Your Honor.

13 THE COURT: I mean then how do I -- I understand,  
14 but how do I parse through a huge payroll and I or you say,  
15 you know, Joe, who happened to work in the vegetation  
16 management doesn't get a pay and it turned out Joe was on  
17 medical leave at the time, I mean, and Sally was at work  
18 that day. I mean we can't do that.

19 MR. DE GHETALDI: Your Honor, I've participated in  
20 over a hundred depositions. I know the names of the people  
21 that we're interested in, not seeing getting bonuses in  
22 priority of payments to the persons, the victims, who have  
23 enforceable settlement agreements that are unfunded.

24 THE COURT: Okay. Well, I didn't know the  
25 background, so you've identified people, and I

1 understand -- certainly understand what your concerns are.  
2 My question is what to do about it. So -- I got it. Okay.

3 MR. DE GHETALDI: Thank you.

4 THE COURT: Other counsel?

5 MR. KNAPP: Good afternoon, Your Honor, Brad Knapp  
6 of Locke Ford on behalf of the International Brotherhood of  
7 Electrical Workers, No. 1245. With me are my partners,  
8 Steven Bryant and Meaghan Tom. We'd like to underscore the  
9 importance of the entry of this interim order for PG&E's  
10 work force. The IBW has about 12,000 PG&E employees as  
11 members and this goes a long way to assuring them that  
12 their continued employment, continued hard work on behalf  
13 of Californians will go compensated. We filed our  
14 reservation of rights because we have a few questions we  
15 want to work through before the final hearing, but  
16 otherwise, we urge that the Court grant the motion on an  
17 interim basis.

18 THE COURT: Okay. I got it. Anyone else on the  
19 phone want to be heard on this?

20 (No response.)

21 All right. No one in the court --

22 MR. KAROTKIN: Just to respond briefly to counsel  
23 for the Butte claimants. Number one, as I said, this is  
24 being deferred until the final hearing. In any event,  
25 we're not asking for any authority on the stip payment. To



1 make clear what I said --

2 THE COURT: Well, but you are for some other kinds  
3 of payment.

4 MR. KAROTKIN: Yes, all the other things, yes.

5 THE COURT: So if there are people who are in  
6 either of those two divisions that counsel complained  
7 about --

8 MR. KAROTKIN: I thought he was only complaining  
9 about them getting a bonus.

10 THE COURT: Well, maybe. Maybe again, I didn't  
11 understand it.

12 MR. KAROTKIN: I didn't think he was  
13 complaining --

14 THE COURT: Is that the case, only about bonuses?

15 MR. DE GHETALDI: I was talking about pre-petition  
16 obligations to --

17 MR. KAROTKIN: Including wages and compensation --

18 THE COURT: So, wait. I mean just everyday run-  
19 of-the-mill type payments. So he is talking about more  
20 than bonuses.

21 MR. DE GHETALDI: Not including wages.

22 THE COURT: I mean I'll make a ruling. I just  
23 want to hear the arguments, one way or the other, what to  
24 do about it.

25 MR. KAROTKIN: I was going to point out just so

1 the record is clear, the stip does not include officers; it  
2 also does not include members of the Board of Directors.

3 THE COURT: How about former officers?

4 MR. KAROTKIN: It doesn't include former officers.

5 THE COURT: Okay. Well, again, there seems to be  
6 some --

7 MR. KAROTKIN: Ms. Williams is not in. We're not  
8 seeking --

9 THE COURT: She's not in this class of people.

10 MR. KAROTKIN: Not in the stip, no. No. No. No.

11 THE COURT: Okay.

12 MR. KAROTKIN: And just to mention one last thing,  
13 counsel was talking about what happened in 2013, and not to  
14 minimize that at all, but the 2018 stip is with respect to  
15 2018 performance, not 2013.

16 THE COURT: So even if he has a quarrel with  
17 somebody who is in vegetation management or risk  
18 evaluation, you're telling me for the current period, that  
19 person is doing his or her job and --

20 MR. KAROTKIN: And either warrants a bonus under  
21 the program or does not.

22 THE COURT: And if there was fault or carelessness  
23 or error by an individual several years ago, that's for the  
24 employer to deal with under the current claims and whether  
25 there are judgments or pending matters or State matters or

1   unfiled matters.

2               MR. KAROTKIN: Exactly, Your Honor.

3               THE COURT: All right. I think I understand, and  
4 I understand what the objections were by counsel on behalf  
5 of his clients, Mr. De Ghetaldi, and again, I'm sympathetic  
6 to the fate of his clients under these circumstances, but  
7 I'm going to overrule those objections and grant the  
8 Debtors' motion to grant their motion for -- what I'll call  
9 for convenience the wages and benefits motion, recognizing  
10 that there has been the various carve-outs, both the -- as  
11 counsel explained without naming individuals, but rather  
12 quantifying them by role of officer and/or director and  
13 then also the stip -- I mean it's an awkward word "stip"  
14 because we're used to using the word "stip" to do something  
15 else, but if it's an employee benefit term, stip, that's  
16 being deferred and not resolved -- or not dealt with today.  
17 So for all those reasons, the objections will be overruled.  
18 The motion will be granted and the orders to be entered  
19 will be consistent with that, and I did -- I do acknowledge  
20 that I misinterpreted the breakdown of what's to be paid in  
21 the interim period versus later, and although there's a  
22 substantial amount of money onto the so-called stip  
23 terminology for later, there are others that are also being  
24 deferred in lesser amounts and will be taken up at the  
25 final hearing.

1           And let me make an aside, also we're covering a  
2 lot of territory today. Before we conclude, we'll talk  
3 about when those final hearings are going to be, and they  
4 may be at different times.

5           MR. KAROTKIN: Yes, sir.

6           THE COURT: All right.

7           MR. KAROTKIN: Just for a matter of housekeeping,  
8 with respect to Mr. Wells' declaration, he's here in the  
9 court and available for cross-examination.

10          THE COURT: No. We're not going to have a trial  
11 today.

12          MR. KAROTKIN: But I'm saying, we would ask that  
13 that be moved into evidence.

14          THE COURT: Well, I mean it's in the document. I  
15 mean we're not treating the -- it's in the record, so --

16          MR. KAROTKIN: If it's in the record, that's fine  
17 with us.

18          THE COURT: Well, you filed it.

19          MR. KAROTKIN: Yes, sir. Okay.

20          THE COURT: Yeah. Yeah.

21          MR. KAROTKIN: I think the last one before --

22          THE COURT: But let me comment on that. Ms. Hayes  
23 said that when she was complaining a little bit -- a little  
24 bit, that it wasn't signed under penalty of perjury. Well,  
25 if she's correct, then maybe it should be signed under

1 penalty of perjury. If she was incorrect, that it  
2 wasn't -- I mean that it already was, then no harm, no  
3 foul. We don't have to deal with it today.

4 MR. KAROTKIN: I think if there are any questions,  
5 Mr. Wells is here today, and he can attest to the fact that  
6 the statements therein are truthful.

7 THE COURT: I don't want to do that. I want to  
8 make it simple. If, as a matter of form, it was not  
9 technical compliance with the normal attestation to a  
10 declaration, he can do it after the fact. I'm not going to  
11 put him on the witness stand and turn him over for cross-  
12 examination.

13 MR. KAROTKIN: Okay. Thank you, sir.

14 THE COURT: Okay.

15 MR. KAROTKIN: So the last one before the DIP is  
16 the NOL motion.

17 THE COURT: And did you get objections to that?

18 MR. KAROTKIN: No objections, just there were some  
19 discussions with Mr. Bennett and his colleagues about  
20 making certain revisions to the proposed order, that I was  
21 asked to read into the record, and they will be included in  
22 the order.

23 THE COURT: Okay. I'll let you come to that in a  
24 moment. Is there anyone on the phone who wants to be heard  
25 on what the Debtor has called the NOL Motion, but it's

1 really a little broader than that.

2 (No response.)

3 Okay. There's no one there. There's no one in  
4 either courtroom. I have no objections. I have reviewed  
5 it, and I'm prepared to approve it, as long as you're just  
6 making some additional changes that you want to make on the  
7 record.

8 MR. KAROTKIN: Yes. We will submit a revised  
9 order, Your Honor, where we will agree that confidential  
10 information provided by people who may be subject to the  
11 restrictions in the Notice of Provisions will be kept  
12 confidential and will not be disclosed as to their holdings  
13 and their identification.

14 THE COURT: Okay.

15 MR. KAROTKIN: There was a 20-business day notice  
16 in the procedures before the acquisition could be effected,  
17 and we've agreed to shorten that to 15 business days.

18 THE COURT: Well, does 20 days ever get the same  
19 length as 15 business -- I mean --

20 MR. KAROTKIN: I'm sorry, it was 20 business days.  
21 Sorry.

22 THE COURT: Business.

23 MR. KAROTKIN: Yes, business and business.

24 THE COURT: Apples and apples, not apples and  
25 oranges.

1 MR. KAROTKIN: Yes, sir. Yes. Thank you. Thank  
2 you.

3 THE COURT: Okay. I just want to make sure it  
4 wasn't a slight of hand here with -- you know, we might  
5 have a three-day holiday in there.

6 (Laughter.)

7 MR. KAROTKIN: And the objection period was also  
8 shortened from 15 business days to ten business days.

9 THE COURT: Okay.

10 MR. KAROTKIN: The other provision in the order is  
11 that in an effort perhaps to resolve any notices -- if any  
12 confidential information is given to an attorney for a  
13 purchaser or a proposed purchaser, it's agreed that that  
14 information will not be transmitted to their client.

15 THE COURT: Okay.

16 MR. KAROTKIN: And that's to facilitate resolution  
17 of any potential issues.

18 THE COURT: Mr. Bennett, did you want to be heard  
19 on this?

20 MR. BENNETT: There's one more change that --

21 MR. KAROTKIN: There's one more. I knew Mr.  
22 Bennett would keep me honest here, Your Honor. We agreed  
23 that we would state on the record that we would reasonably  
24 consider any request to acquire stock outside the formal  
25 process, and again, that would be subject to our consent,

1 and if there was no agreement, they would have to follow  
2 the procedures.

3 THE COURT: All right. Does that take care of it,  
4 Mr. Bennett, or is there something else?

5 MR. BENNETT: No. With respect to the  
6 confidentiality provision that Mr. Karotkin mentioned, the  
7 requirement that there be a filing on the docket of the  
8 Notice has been eliminated, so the reports go directly to  
9 the Debtor.

10 MR. KAROTKIN: That's correct.

11 THE COURT: Okay. So the order will reflect that.

12 MR. KAROTKIN: Yes, sir.

13 THE COURT: Okay. And, you know, we didn't talk  
14 about it procedurally, but anybody who interposes an  
15 objection to anything today, you're going to give them a  
16 copy of the form order, and you know my procedure is, we  
17 will do orders that need to get signed quickly, quickly,  
18 but orders that can wait a little bit, you make sure  
19 anybody who complained about it or objected has an  
20 opportunity to review it. You're familiar with that  
21 procedure, right?

22 MR. KAROTKIN: Yes, sir.

23 THE COURT: And I will tell you, I'm guilty of one  
24 sin in this area, I sign the orders rather quickly, rather  
25 than the seven-day rule, and if there is an order that



1 uploaded and somebody wants to be heard, they need to act  
2 quickly. Another point there.

3 MR. KAROTKIN: And I think for purposes of today's  
4 relief, it is important that they get entered as soon as  
5 possible.

6 THE COURT: Well, I mean like the NOL motion, is  
7 that really time sensitive?

8 MR. KAROTKIN: Yes, it is, because with the stock  
9 increasing in value, yes, it is important that they get  
10 entered right away.

11 THE COURT: Have you checked with your broker in  
12 the last couple of hours? I haven't.

13 MR. KAROTKIN: I haven't, no. I can't buy it, so  
14 it doesn't matter.

15 THE COURT: Neither can I. So -- but, okay. Then  
16 look, most of the lawyers who -- I mean, they're either  
17 here or on the record. They're also known to you, and we  
18 just move quickly on it; that's all. I want to move  
19 quickly.

20 MR. KAROTKIN: Yes.

21 THE COURT: All right. So we're down to just two  
22 motions left?

23 MR. KAROTKIN: I think one. Oh, two, the sealing  
24 motion --

25 THE COURT: Well, no, the sealing motion --

1 MR. KAROTKIN: Yes, and the DIP.

2 THE COURT: -- I think I was told earlier, Ms.  
3 Kelly, you had an objection to the sealing motion.

4 MS. KELLY: I do, Your Honor.

5 THE COURT: Mr. Klee?

6 MR. KLEE: Your Honor, may I interrupt for just a  
7 second?

8 THE COURT: Yes. Identify yourself.

9 MR. KLEE: Kenneth Klee of Klee, Tuchin, Bogdanoff  
10 & Stern LLP for Next Era.

11 THE COURT: Good afternoon, Mr. Klee.

12 MR. KLEE: We have an agreement we'd like to put  
13 on the record, and we have the Department of Justice on the  
14 phone, and we may lose them if we don't place it on the  
15 record.

16 THE COURT: Okay.

17 MR. TSEKERIDES: Good afternoon, Your Honor, Ted  
18 Tsekerides from Weil Gotshal on behalf of the Debtors. So  
19 we spent the morning going over the adversary proceeding  
20 schedule that we talked about the other day.

21 THE COURT: Right.

22 MR. TSEKERIDES: I'm pleased to announce that  
23 we've reached a deal that we want to put on the record with  
24 respect to the scheduling and another related matter. So  
25 Your Honor may have seen, there were two, I think,

1 intervention motions filed.

2 THE COURT: I saw one, and I saw the motion to  
3 withdraw the reference, and I saw the motion for the  
4 summary judgment, but it'll come as no surprise, I didn't  
5 sit down and read them all.

6 MR. TSEKERIDES: Fair enough. I just want to let  
7 you know what's required, and so Next Era is the one you  
8 just heard from Mr. Klee, and Con Ed also had submitted  
9 one. So the three of us with FERC this morning worked out  
10 a schedule that we think would satisfy everyone's needs and  
11 hopefully the Court's as well. So on the intervention,  
12 there is a slightly accelerated schedule there, but the  
13 parties are in agreement on it. The intervention motion  
14 would be heard on the 13<sup>th</sup> which is one of our days.

15 THE COURT: I guess that means you're going to  
16 oppose it, right?

17 MR. TSEKERIDES: Yes, we are going to oppose it,  
18 but the schedule is fine.

19 THE COURT: Yeah, no, I understand, but my first  
20 reaction was, would they really be opposing it, but okay,  
21 you're going to oppose it.

22 MR. TSEKERIDES: Well, we have an argument that we  
23 think will be successful, but we'll see. You'll decide.

24 THE COURT: So you're putting that on on our  
25 February 13<sup>th</sup> calendar.

1 MR. TSEKERIDES: Right. And we were going to put  
2 that in the afternoon. I don't know if that's something we  
3 would do later as far as the timing.

4 THE COURT: Well, let's just get the rest of your  
5 stip.

6 MR. TSEKERIDES: Okay.

7 THE COURT: I mean, you know, when we set these  
8 dates the other day, it's only been two days ago, right; I  
9 don't think we filled up any of our dance card yet. It  
10 will fill up quickly, however. So you want it on the  
11 afternoon of the 13<sup>th</sup>.

12 MR. TSEKERIDES: Correct.

13 THE COURT: Ms. Parada, we have the day clear,  
14 right?

15 COURTROOM DEPUTY: Yes.

16 THE COURT: Yes. Okay.

17 MR. TSEKERIDES: Our opposition would be on the  
18 11<sup>th</sup>. We were going to put a 4:00 p.m. Pacific --

19 THE COURT: Do I have to read the opposition?

20 MR. TSEKERIDES: It'll be short.

21 (Laughter.)

22 THE COURT: I signed an oversized brief order.  
23 I'm going to sign an undersized brief order now.

24 MR. TSEKERIDES: That's on the main case. We're  
25 just the adversary proceeding.

1 THE COURT: What if I told you it's limited to two  
2 pages? Okay. Opposition when, on the 11<sup>th</sup>.

3 MR. TSEKERIDES: On the 11<sup>th</sup>.

4 THE COURT: What time?

5 MR. TSEKERIDES: 4:00 p.m.

6 THE COURT: Thanks a lot. San Francisco or New  
7 York?

8 MR. TSEKERIDES: San Francisco.

9 THE COURT: Okay.

10 MR. TSEKERIDES: And 2/12 for the reply for the  
11 intervenors.

12 THE COURT: I'm not going to read them anyway.

13 MR. TSEKERIDES: You're not going to read them.

14 THE COURT: Unfortunately, I have a bad habit of  
15 reading these things, so I will.

16 MR. TSEKERIDES: I'm sure theirs will be short  
17 too.

18 THE COURT: Yeah, I'm sure.

19 MR. TSEKERIDES: So that's on the intervention.  
20 Then on the Debtors' preliminary injunction motion, the  
21 hearing date, frankly, it's already on, that we had filed  
22 our --

23 THE COURT: I think you put it on --

24 MR. TSEKERIDES: 2/27.

25 THE COURT: The 27<sup>th</sup>.

1 MR. TSEKERIDES: That stays.

2 THE COURT: Yeah. But doesn't that conflict with  
3 your -- the drop dead from the government? Oh --

4 MR. TSEKERIDES: We're going to address that.

5 THE COURT: Okay

6 MR. TSEKERIDES: So 2/27 for the PI hearing.

7 THE COURT: And we didn't set a time for that; or  
8 did we?

9 MR. TSEKERIDES: That'll be in the afternoon as  
10 well.

11 COURTROOM DEPUTY: Well, currently, we have it at  
12 9:30.

13 MR. TSEKERIDES: Can we move that to 4:00 on your  
14 schedule?

15 COURTROOM DEPUTY: The hearing?

16 MR. TSEKERIDES: Or the afternoon.

17 THE COURT: Well, yeah. I mean we can accommodate  
18 you. Let me just look at one thing. Wait one second.  
19 Well, do you really want it on a late Friday afternoon? I  
20 mean, just as a matter of convenience -- I mean I live  
21 here, but you don't.

22 MR. TSEKERIDES: The 27<sup>th</sup>.

23 THE COURT: Oh, I'm sorry. I'm sorry. I'm  
24 looking at -- I'm sorry. My error.

25 MR. TSEKERIDES: That's a Wednesday.

1 THE COURT: Yeah, yeah, okay. Overload. Okay.

2 What time?

3 MR. TSEKERIDES: So at 1:30?

4 THE COURT: All right.

5 MR. TSEKERIDES: And the opposition to that would

6 be on the 15<sup>th</sup>, so it's slightly different from the 14-7.

7 So again, it'll be on the 15<sup>th</sup>.

8 THE COURT: From both parties. Well, all three.

9 MR. TSEKERIDES: Yeah, so for all three, even

10 though --

11 THE COURT: You've got three parties.

12 MR. TSEKERIDES: Right.

13 THE COURT: Okay.

14 MR. TSEKERIDES: So 4:00 p.m.

15 THE COURT: Can I get the three parties to get

16 together on their opposition, so I don't read the same

17 thing three times? I mean I don't want to get the primer

18 on basic issues three times.

19 MR. TSEKERIDES: We would prefer that.

20 THE COURT: Well, let's finish the schedule and

21 then we'll talk about it.

22 MR. TSEKERIDES: We'll go through the schedules.

23 So that's the 15<sup>th</sup> at 4:00 p.m.

24 THE COURT: And reply?

25 MR. TSEKERIDES: 2/22 at 4:00 p.m. And then as

1 relates to the FERC piece of that, we had further  
2 discussions with the DOJ counsel and they have a similar  
3 view now as we did on the 108's impact, and so we're going  
4 to work out a stipulation that we would submit to the Court  
5 to be so ordered that would lay that out, but we wanted to  
6 at least put on the record today that both we and FERC,  
7 through their DOJ counsel agree that 108 would allow the  
8 Debtors to file a petition for re-hearing 60 days from the  
9 filing of the Chapter 11 case, and we would prefer to have  
10 that in a stip that gets so ordered.

11 THE COURT: Okay. So the FERC drop dead deadline  
12 that you talked about the other day has been extended by  
13 stipulation.

14 MR. TSEKERIDES: Right.

15 THE COURT: Okay.

16 MR. TSEKERIDES: I mean -- right, exactly.

17 THE COURT: Put that please in a separate stand-  
18 alone order, so we can deal with that. Now what do I do  
19 with all this if the motion to withdraw the reference is  
20 acted on?

21 MR. TSEKERIDES: Well, I mean, you know, if's out  
22 there; we'll oppose it, but it doesn't stay the --

23 THE COURT: I mean it goes, right? But the point  
24 is, as I understand the rules and remember them, you can  
25 have the world's greatest motion to withdraw the reference



1 but I'm supposed to act on anything that's pending before  
2 me, right?

3 MR. TSEKERIDES: Right.

4 THE COURT: Okay.

5 MR. TSEKERIDES: And we would think that in one of  
6 the -- not the preview things, but that the District Court  
7 would be informed by your rulings on some of these issues.

8 THE COURT: I would hope so, assuming the judge  
9 reads them.

10 MR. TSEKERIDES: Right. So I will just make sure  
11 counsel agrees with what I just said.

12 THE COURT: I know, but I'm not being facetious.  
13 If somehow the motion to withdraw the reference is acted on  
14 by the District Judge, and he or she withdraws it, then I'm  
15 out of a job on this one, right? And right, Mr. Klee is  
16 saying yes, it sounds right to me, but --

17 MR. TSEKERIDES: I mean if the reference is  
18 withdrawn, yeah, I mean --

19 THE COURT: Yeah. I mean -- and I'm not -- it's  
20 none of my business and I have no knowledge and probably  
21 won't have any knowledge on what happens to it. All I'm  
22 getting at is that if it's withdrawn; it's withdrawn, and  
23 there's nothing before me, if the judge hasn't acted on it  
24 or it's opposed or whatever, then my job is to do what I'm  
25 supposed to do. So you guys just told me what I'm supposed

1 to do. I got it.

2 MR. TSEKERIDES: Well, we suggested what we'd like  
3 you to do.

4 THE COURT: No, no, no. You gave me one day to  
5 read all these things.

6 (Laughter.)

7 MR. TSEKERIDES: Why don't we do -- since the  
8 counsel is on the phone and he has to go -- the DOJ lawyer  
9 is on the phone --

10 THE COURT: On the phone for the DOJ? Just  
11 restate your name and tell me if you're on board with the  
12 stip?

13 MR. SACKS: Thank you, Your Honor. This is Marc  
14 Sacks, Department of Justice, on behalf of FERC and we are  
15 on board with the stip. We'll work out the language of  
16 course, but we're comfortable and FERC is comfortable that  
17 it will not treat a petition for re-hearing filed later  
18 than 30 days under its rules, but prior to the 60 days  
19 granted by 108 as a late-filed petition. We will not treat  
20 it as such.

21 THE COURT: Okay. And do you want to get  
22 everyone's agreement on that? Thank you, on the phone,  
23 counsel on the phone.

24 MR. STERN: Your Honor, David Stern also on behalf  
25 of Next Era. Good to see you. On the briefing, just so

1 you know, FERC will probably file its own briefs. We will  
2 do our best to coordinate with Con Ed on briefing so that  
3 you're not overloaded.

4 THE COURT: Well, it might come as no surprise to  
5 you that I've got a lot of things to do these days, and as  
6 much as I love good lawyering and know many of you, and I  
7 put you in that category, if each of you reinvents the  
8 wheel and I get 150 pages of briefs that could be done in  
9 25, it's a little more difficult. That's all.

10 MR. STERN: No, we will follow Mark Twain's adage  
11 and not write you a long letter.

12 THE COURT: Yeah. Sorry, my brief is so long; I  
13 didn't have enough time, right?

14 MR. STERN: Right. No, we'll do it. And all of  
15 this is acceptable to Next Era, and we're pleased that we  
16 were able to work out a schedule.

17 THE COURT: You're here for Con Ed, right?

18 MR. McDONALD: Yes, Your Honor. Hugh MacDonald,  
19 on behalf of Con Edison. I echo Mr. Stern's sentiments.  
20 We are going to coordinate to try and obviously present to  
21 the Court a concise brief. We will explore other ways to  
22 make sure that it is not duplicate in any way. We will  
23 streamline the briefing.

24 THE COURT: Well, I'm certainly not inviting you  
25 to short change or shortcut anything but you're all

1 experienced. You've all worked together on countless  
2 cases. You all at least have a common set of preliminaries  
3 or whatevers and then just make it easier for me, because  
4 I've got my hands full. And I'm going to try to agree with  
5 your schedule, and I will agree with it.

6 MR. McDONALD: As the Court is aware from the  
7 first PG&E, these issues are very complex, and so we will  
8 try and deal with it.

9 THE COURT: Piece of cake.

10 MR. McDONALD: Piece of cake, right?

11 THE COURT: Piece of cake.

12 MR. McDONALD: Like the intervention.

13 THE COURT: I love preemption questions.

14 (Laughter.)

15 MR. McDONALD: Thank you, Your Honor.

16 THE COURT: Thank you for working that out.

17 MR. STERN: Your Honor?

18 THE COURT: Yes.

19 MR. STERN: Do you want a scheduling order from  
20 us?

21 THE COURT: Well, I think it would be helpful --  
22 not a scheduling order, but just memorialize the stip so  
23 that it has these deadlines in them. It's a good way to  
24 keep track -- for all of us to keep track of what we're  
25 doing and the public. I mean everybody is entitled to

1 know.

2 MR. STERN: We'll circulate something and get it  
3 filed.

4 THE COURT: Yeah, but I don't need any kind of  
5 pre-trial order. I mean, look, unless I'm missing  
6 something, I've got a very discreet question, and the issue  
7 of, well, other courts have dealt with it or not, and if  
8 I've got enough out of it -- Mr. Stern, your side believes  
9 that PG&E took a contrary position in the past, and, you  
10 know, so there I've going to have to see what to do about  
11 that.

12 MR. STERN: Agreed.

13 THE COURT: That was in the prior case. No, it  
14 wasn't in the prior case.

15 MR. STERN: That was 12 years ago.

16 MR. MCCAIN: Your Honor?

17 THE COURT: Yes.

18 MR. MCCAIN: From the overflow room.

19 THE COURT: Oh, I'm sorry, yes. Who is that?

20 MR. MCCAIN: Thank you. It's Mark McCain of  
21 Kirkland and Ellis on behalf of Cal Pine Corporation. We  
22 are a contract on a party and believe -- we're parties to  
23 the FERC orders as well. If there's going to be a  
24 stipulation with this type of schedule, is the Court going  
25 to set a date by which other parties should intervene? For

1 example, to the extent that we're going to be all doing  
2 this in the next month or so, would that include a date by  
3 Monday for other parties to intervene, so that they could  
4 coordinate together with Ms. Serra (Phonetic) and kind  
5 of --

6 THE COURT: Well, I mean that's a two-part  
7 question. I should let the lawyers answer instead of  
8 myself, but it's one thing to move to intervene; it's  
9 another thing to coordinate on briefing. So what's --

10 MR. MCCAIN: Yeah. We will coordinate on the  
11 briefing, Your Honor. We just want to make certain that  
12 we're not excluded from our opportunity to intervene based  
13 on a stipulation on how this is going to be addressed in  
14 the next --

15 THE COURT: Well, I'm going to try it a different  
16 way, and I'll ask Debtors' counsel, would you be agreeable  
17 to -- by giving a deadline for people like Cal Pine to make  
18 its motion to intervene?

19 MR. TSEKERIDES: Well, I wouldn't be agreeable. I  
20 mean they had an opportunity to file motions. We have a  
21 schedule, and this is exactly -- one of the arguments we're  
22 going to be making; I'm not giving anything away is that we  
23 don't think every single counter-party to the Debtors'  
24 contracts has a right to be in the one case against FERC  
25 that's going to deal with jurisdiction. So we have a

1 schedule. If they want to work with the other parties to  
2 submit something, we're not going to -- I don't think it's  
3 appropriate to ask the Debtor to respond to 150 or whatever  
4 other intervention motions.

5 THE COURT: No, it's not appropriate for the Judge  
6 to respond to that many either.

7 MR. TSEKERIDES: Exactly.

8 THE COURT: But on the other hand, if it's a "me  
9 to" and somebody says I want to be at the table at least on  
10 the argument that's presented, that's not so --

11 MR. TSEKERIDES: If it's like that and you want to  
12 set a date so that we know who we're dealing with, but  
13 they're not filing a brief, I'd be open to something like  
14 that. But I don't think we should have to be responding to  
15 other briefs. I mean they should at most be given the  
16 opportunity to say, yes, we're joining in that, and you can  
17 deal with that, because I assume the arguments are going to  
18 be the same, because I can tell you that pretty much right  
19 now.

20 THE COURT: Well, that's what I'm assuming. So  
21 that's why if the argument is the same, it seems to me the  
22 pros and cons of the preliminary argument, can they  
23 intervene -- can anybody intervene, and then if the answer  
24 to that question is no, then we kick them out. If the  
25 answer is yes, then they're at the table on the --

1 essentially the preemption argument, right?

2 MR. TSEKERIDES: I mean so since we have the 11<sup>th</sup>,  
3 I think we would like to know that by the 4<sup>th</sup> at the latest.

4 THE COURT: So would you please -- counsel on the  
5 phone -- I mean in the courtroom across the way, I just  
6 didn't get your last name.

7 MR. McCAIN: I apologize, Your Honor. It's Mark  
8 McCain for Cal Pine.

9 THE COURT: So what's your --

10 MR. McCAIN: And I certainly know the law firm and  
11 I've worked with all the folks as well.

12 THE COURT: No, of course you do. But what's your  
13 suggestion on the timing here?

14 MR. McCAIN: My suggestion is that there be -- to  
15 the extent there's going to be a stip accelerating their  
16 motion for intervention, that there be a date that all  
17 motions to intervene be set by 4:00 o'clock on the 4<sup>th</sup>. I  
18 don't think that's a problem.

19 THE COURT: Okay. But you understand my concern  
20 and I think that Debtors' counsel --

21 MR. McCAIN: I do, Your Honor.

22 THE COURT: I don't want 20 briefs. I can't  
23 handle them.

24 MR. McCAIN: Absolutely, Your Honor. In fact,  
25 Your Honor, I was counsel on the first energy case and



1 coordinated with similar counter-parties for joint briefing  
2 and was also working with FERC on those issues.

3 MR. TSEKERIDES: Just so we're clear, we're not  
4 talking -- I mean he said "motions." I mean if they want  
5 to say yes, we're going to be joining in what other people  
6 are doing, that's fine, but again, we're not inviting, you  
7 know, 50, 100, a lot of counter-parties.

8 THE COURT: I know you're not. I mean it's now  
9 after 1:00 o'clock and we're not even at the DIP motion.  
10 So now we got sidetracked here. I mean I know this is a  
11 very important issue, and in the little time I've had to  
12 learn everything, I took time to at least understand what's  
13 at stake here, and I know how serious it is. But I didn't  
14 have a deadline for filing motions to intervene, and now if  
15 Mr. McCain or somebody else wants to intervene, if you  
16 don't want to even agree to let them be there arguing to  
17 intervene, then what do I do? Then they file a separate  
18 motion to intervene and a motion to shorten time, and we  
19 have a hearing on whether they can intervene.

20 MR. TSEKERIDES: Well, to be clear, I'm not saying  
21 that, Your Honor.

22 THE COURT: Okay.

23 MR. TSEKERIDES: When he said "motions" is what  
24 set me off a bit. But if we have a 4:00 p.m. Monday, this  
25 coming Monday, 4:00 p.m., that they have to file some

1 thing, and then we'll deal with that after that, that  
2 they're going to be seeking to intervene in that motion  
3 that we just sequenced, then I think that's what we should  
4 do.

5 THE COURT: Okay. So Mr. McCain, I'll go along  
6 with that, and then any other similarly situated party,  
7 it's the same deal, but the price of this -- my consent  
8 here is that you coordinate so we don't have overwhelming  
9 numbers of arguments and briefs and so on, that rather you  
10 work with the principal lawyers and these two, Mr. Klee and  
11 Mr. Stern, and Con Ed's lawyers, they are sort of like the  
12 lead issue -- I mean arguers on this issue. I'm not  
13 stating it very well, but I hope you get the message. Do  
14 you?

15 MR. MCCAIN: I understand, Your Honor.

16 THE COURT: Okay. All right.

17 MR. TSEKERIDES: Okay.

18 MR. MCCAIN: Thank you.

19 THE COURT: I look forward to the stipulation.

20 MR. TSEKERIDES: Thank you, Your Honor.

21 THE COURT: So Mr. Karotkin, I think we're going  
22 to take a break. I mean this is not a torture -- I know  
23 what you wanted to get done, but I just -- unless everybody  
24 has rolled over and the DIP motion is stipulated to --

25 MR. TSEKERIDES: If you don't let them each lunch,

1 they'll roll over.

2 THE COURT: Yeah, I know.

3 (Laughter.)

4 MR. TSEKERIDES: No, that's fine, whatever you  
5 want.

6 THE COURT: But if the cafeteria closes, they're  
7 in worse trouble. Okay. Well, again, we'll do our best to  
8 get out of here within a reasonable time, but I'm going to  
9 take a break now until -- I'll make it 2:15 on that clock,  
10 so if you want to have lunch, go for it.

11 ALL COUNSEL: Thank you, Your Honor.

12 THE COURT: Thank you.

13 (Whereupon, the luncheon recess is taken at 1:11 p.m.,  
14 and the court is reconvened at 2:16 p.m.)

15 COURTROOM DEPUTY: All rise.

16 THE COURT: Good afternoon again. Please be  
17 seated. All right. So how are we coming on our agenda  
18 here? Mr. Karotkin, as I recall, from what you said  
19 before, we've got the Motion to Seal and the DID motion,  
20 and that's it, right?

21 MR. KAROTKIN: That's it, sir.

22 THE COURT: Yeah. And then after that, for  
23 anybody who is hanging around, we'll schedule what we're  
24 going to pencil in for the coming --

25 MR. KAROTKIN: Mr. Zumbro from the Cravath firm is

1 going to handle the DIP.

2 THE COURT: And the sealing motion also?

3 MR KAROTKIN: Yes, sir.

4 THE COURT: Mr. Zumbro, good afternoon.

5 MR. ZUMBRO: Good afternoon, Your Honor.

6 THE COURT: Welcome to the court.

7 MR. ZUMBRO: Thank you, sir. Paul Zumbro from  
8 Cravath Swaine & Moore, proposed counsel for the Debtors.

9 THE COURT: I understand we had one objection on  
10 the sealing motion; is that right?

11 MR. ZUMBRO: Yes, sir. There's one objection on  
12 the sealing motion, and I believe, Your Honor, there's only  
13 one live objection as well on the DIP motion itself. All  
14 the other either objections or reservations of rights have  
15 been addressed through language changes which I'm happy to  
16 walk the Court through.

17 THE COURT: Well, I do have some questions too for  
18 you on that one, but --

19 MR. ZUMBRO: Certainly.

20 THE COURT: Do you mind, can we just do the  
21 sealing motion first?

22 MR. ZUMBRO: Sure, Your Honor, if that's how the  
23 Court would prefer to proceed.

24 THE COURT: Well, it's discreet and Ms. Kelly, I  
25 presume you're going to tell me that I should unseal it and

1 Mr. Zumbro is going to tell you, you shouldn't, and guess  
2 what? What else is there to talk about?

3 (Laughter.)

4 MR. ZUMBRO: Well, perhaps I let Ms. Kelly tell  
5 the Court --

6 THE COURT: Why didn't we do this before lunch,  
7 right?

8 MR. ZUMBRO: Perhaps, Your Honor, I can just share  
9 the Debtors' thoughts briefly on that motion before turning  
10 the podium over to the U.S. Trustee. Your Honor, I think  
11 the main thrust of Ms. Kelly's objection is that the U.S.  
12 Trustee asserts that the public needs to know how much the  
13 DIP financing will cost the Debtors. And, Your Honor, we  
14 agree with that basic predicate. In our moving papers, and  
15 the Kurtz declaration that supports those papers in  
16 particular, we disclose the aggregate financing fees. I  
17 would point Your Honor to Docket No. 24 at paragraph 25.

18 THE COURT: I'm not sure that I got a copy of Mr.  
19 Kurtz' declaration in the binder. Maybe I did, but I --

20 MR. ZUMBRO: It was filed in connection with the  
21 DIP financing motion.

22 THE COURT: No. I know there was. I was  
23 reviewing it, and there was a reference to the Kurtz  
24 declaration, and of course I can go to the docket also, but  
25 I was using the big binder, and so --

1 MR. ZUMBRO: If I could have permission to  
2 approach, I would happy to hand -- it's just one paragraph,  
3 one sentence I'd like to point the Court to.

4 THE COURT: Okay.

5 MR. ZUMBRO: Thank you, Your Honor.

6 THE COURT: What's the docket number?

7 MR. ZUMBRO: Docket No. 24.

8 THE COURT: 24, okay. Yeah. I think in fact it  
9 was just in passing; it was a reference in the DIP motion  
10 and it just said, you know, Kurtz, not declaration of Mr.  
11 Kurtz, but Kurtz, paragraph subsection, and I thought,  
12 well, what are they --

13 MR. ZUMBRO: There may have been some confusion,  
14 sir, because there were two Kurtz declarations, one which  
15 was filed in support of the DIP motion to talk about the  
16 marketing process we underwent, and the second one filed in  
17 support of the sealing motion, which talks about normal  
18 practices with fees. I was actually referring to the Kurtz  
19 declaration which was filed in connection with the DIP  
20 motion itself.

21 THE COURT: Well, what I think is -- unless I  
22 overlooked it in this great big binder, I don't think I was  
23 given a hard copy, and so I knew what it was going to say  
24 and I went to make sure I knew his affiliation, because he  
25 was saying what he was saying about it and I didn't want

1 him to be lined up as one of the Debtors, and he's not.  
2 So, okay. Well, let's get back to the sealing motion. So  
3 what do you think -- what is the disclosure --

4 MR. ZUMBRO: Well, the point I was trying to make,  
5 sir, is that I think that the U.S. Trustee and the public  
6 at large has an interest in knowing what the aggregate  
7 financing fees were for the DIP motion that we'll propose  
8 pursuant to the separate motion. And we have disclosed  
9 that in the declaration that I reference at Docket No. 24,  
10 which was 95.25 million dollars, which sounds like a lot of  
11 money but it's all relative. It's approximately 1.7  
12 percent of the aggregate 5.5 billion --

13 THE COURT: But you're just showing me the -- oh,  
14 wait one second. Yeah, I just have the page 11. I have  
15 the last phrase. Here we go. All I have is a half a  
16 sentence, but --

17 MR. ZUMBRO: I'm sorry, sir.

18 THE COURT: So I had the 1.7 percent.

19 MR. ZUMBRO: Right. And the prior page I think is  
20 confusing; it's double-sided printing.

21 THE COURT: No, that's all right.

22 MR. ZUMBRO: It just talks about how the aggregate  
23 fees are 95.25 million dollars.

24 THE COURT: So Ms. Kelly, I understand you might  
25 want more than that, but at least you've had a chance to

1 see that that's there, and perhaps the media or the public  
2 can see that figure, right? Beyond that, what do you want  
3 to say? I mean why should I do more than that? I have the  
4 advantage and maybe you also -- did you actually read what  
5 was in the sealed document?

6 MS. KELLY: I believe that we do have the  
7 unredacted version, yes.

8 THE COURT: Yeah. Well, you're supposed to. And  
9 I did and I understand what it says, and I'm not going to  
10 repeat it here, but I also understand why there's a request  
11 to seal it. So --

12 MS. KELLY: Okay. Well, Your Honor, where we  
13 start from is that normally in bankruptcy, of course, most  
14 things, even financial information, is disclosed and is  
15 transparent, unless it meets the very stringent  
16 requirements with respect to sealing, and even if it does,  
17 even if there is some commercially sensitive information,  
18 it is looked at in the most narrow sense. In other words,  
19 if there is some piece of information -- I understand  
20 there's something called "market flex" or "flex market"  
21 information.

22 THE COURT: Well, try not to disclose what you're  
23 talking about because the three of us have read the  
24 document, so --

25 MS. KELLY: Yeah. Well, I mean I think it's in



1 the papers. Yes, but I believe that term has been used,  
2 and, you know, that perhaps that is a sensitive piece of  
3 information, but that doesn't necessarily encompass the  
4 entirety of the letters that we're talking about. So I  
5 think if the Court were to find that there is commercially  
6 sensitive information and that those particular numbers  
7 should not be shared, I think we should look at whether  
8 that could be a matter of redaction rather than disclose --  
9 sealing the entire documents. So I would just propose  
10 that.

11 THE COURT: Is that feasible, Mr. Zumbro?

12 MR. ZUMBRO: Your Honor, we have no objection to  
13 redaction in concept, as long as -- our DIP lender is  
14 sensitive because it is a very competitive business.

15 THE COURT: No, I understand that.

16 MR. ZUMBRO: Our DIP lender is sensitive to  
17 having -- the way the fees are sliced and diced is  
18 commercially sensitive information, and we think they're  
19 entitled to the protection of 107. So we are perfectly  
20 happy if Your Honor would --

21 THE COURT: Well, wait a minute. Is the lender  
22 happy?

23 MR. ZUMBRO: The lender I believe will be happy as  
24 long as all of the economic terms, fee related terms, are  
25 redacted.

1 THE COURT: Well, okay, but let's pretend in  
2 hypothetical because I'm not going to disclose what I've  
3 learned --

4 MR. ZUMBRO: Yes, sir.

5 THE COURT: -- but let's do it -- you know, as a  
6 beauty contest, to hire a lawyer, and the lawyer says to  
7 the client, I'll take this case for a fraction of my hourly  
8 rate, and my billing rate will only be, you know, \$200 an  
9 hour. But he doesn't want that to get out because other  
10 clients might complain or, you know -- you know all the  
11 reasons. So is it sufficient in your view and to the  
12 lender's view that we just redact out the amounts and  
13 percentages and not sort of the whole environment of the,  
14 you know, what took place between the lenders and the  
15 company.

16 MR. ZUMBRO: Well, let me -- I think lender's  
17 counsel is in the courtroom, so I'll let them speak for  
18 themselves.

19 THE COURT: He's right behind you.

20 MR. ZUMBRO: From the Debtors' perspective, the  
21 market flex terms that Ms. Kelly referred to are very  
22 important to the Debtor. The reason for that is because  
23 they sort of show what pricing we would have been willing  
24 to pay if JP Morgan hadn't been successful in syndicating  
25 it, so it's very important because it could potentially

1 make future financings more expensive --

2 THE COURT: No, I understand.

3 MR. ZUMBRO: -- so the Debtor would propose that  
4 the market flex provisions be redacted in their entirety,  
5 and whether it would be sufficient just to redact out the  
6 specific numbers would suffice for JP Morgan's purposes.  
7 I'll cede the podium to my colleague.

8 THE COURT: Let's see what the lender wants to  
9 say.

10 MR. HANSEN: Good afternoon, Your Honor, Kris  
11 Hansen with Strook, Strook & Lavan on behalf of JP Morgan  
12 Chase as administrative agent on the DIP loan. Your Honor,  
13 so there's more than just the dollar amounts in the letter.  
14 I know you've seen them from a --

15 THE COURT: That's what I'm wondering.

16 MR. HANSEN: There's architecture to this that is  
17 sensitive and banks compete not only in the DIP market but  
18 outside of the DIP market. We have other customers as well  
19 and that architecture isn't simply, to your example, \$200  
20 an hour. There also might be -- I might structure a  
21 portion of it as a contingency fee if I was a lawyer, and I  
22 might talk about what I might collect out in the future,  
23 and I might talk about when the timing of payment was --  
24 just to use your example from a lawyer's perspective.

25 THE COURT: Well, I used to be one.

1           MR. HANSEN: And so everything from that  
2 perspective in our view is commercially sensitive  
3 information. It's competitive because that's how we at JP  
4 Morgan price our loans and that's how in this one, we've  
5 gone out to say, we want to prevail here. And from the  
6 Debtors' perspective, we're in a very competitive process,  
7 and we were selected not only on the dollars but also upon  
8 the way we structured it. And so from a redaction  
9 standpoint, the letters get very, very heavily redacted  
10 when you take into account those types of things.

11           THE COURT: Well, if you watch CNN, you'll see  
12 they're always publishing the latest strata of a special  
13 prosecutor and you get the entire document redacted.

14           MR. HANSEN: Right. And so --

15           THE COURT: I could get one of those for this  
16 case.

17           MR. HANSEN: So our -- obviously JP Morgan's very  
18 strong preference is to seal them because when you think  
19 about the public interest, the public really doesn't have  
20 an interest in how JPM assembles the fees and the  
21 structures associated with how it charges those fees.

22           THE COURT: Well, but don't you concede, though,  
23 the public does have an interest in knowing how much the  
24 Debtor is going to be paying for this whole deal.

25           MR. HANSEN: Which has been publicly disclosed,

1 and we have no problem publicly disclosing that, and that  
2 number that Mr. Zumbro cited is an all-in number, so that  
3 number includes many different components that appear  
4 within those letters.

5 THE COURT: No, I understand. So your suggestion  
6 really -- it's the Debtors' motion but JP Morgan would like  
7 the entire document to stay redacted.

8 MR. HANSEN: Yes, Your Honor, and there's ample  
9 precedent for that --

10 THE COURT: No, I know there is.

11 MR. HANSEN: -- which we can cite to you as well.

12 THE COURT: I should tell you, those of you that  
13 worked in the first PG&E case, we had early in the case, we  
14 had a lawyer who was not as well informed as you are. He  
15 filed a motion to redact a document that he attached to the  
16 public motion --

17 (Laughter.)

18 -- and I granted the motion.

19 (Laughter.)

20 But it was all over the Internet. I'm going to go with the  
21 more cautious point of view here, and I do appreciate Ms.  
22 Kelly's point of view and the public's point of view, and I  
23 know the U.S. Trustee guards carefully the issue and hear  
24 her or that office's views on what should or shouldn't be  
25 redacted. To me it's just -- it's insufficient just to

1 block out a number and if we start to get more than that,  
2 I'll be here all afternoon trying to figure out what to  
3 redact or not, and, you know, I tell you -- you know, tell  
4 me what CNN says about it or something else. It's really  
5 that's what it would amount to. It would be nothing of any  
6 benefit. So Ms. Kelly, I appreciate your comments and  
7 contribution, but I'm going to overrule your objection and  
8 go ahead and grant the sealing motion as is.

9 MR. HANSEN: Thank you, Your Honor.

10 THE COURT: And if there's some reason or somebody  
11 in the future to feel that that needs to be disclosed, then  
12 they can make the proper motion and notice to JP Morgan and  
13 the Debtor, and we'll decide it then.

14 MR. ZUMBRO: We thank you, sir.

15 THE COURT: Mr. Zumbro, do you want me -- these  
16 are extra copies for you? I mean do you want me to toss  
17 them or -- I'm not going to keep them.

18 MR. ZUMBRO: I'll take them back. Thank you.

19 THE COURT: Okay. So you're doing the -- you got  
20 the watch on the DIP motion.

21 MR. ZUMBRO: Well, now that we've got the  
22 difficult issue of the sealing motion out of the way, we  
23 can turn back to the easier task at hand, which is the DIP  
24 financing motion. As I said, I'm Paul Zumbro from Cravath  
25 Swaine & Moore, propose counsel for the Debtors. I just

1 wanted to reiterate what Mr. Karotkin said this morning.  
2 We wanted to thank the Court for making itself available  
3 again this week to commence these important Chapter 11  
4 cases.

5 THE COURT: Don't thank me. I live here. Thanks  
6 for putting it all together on my -- I think all the  
7 lawyers and all the parties have just done a terrific job  
8 and the same with the people that are responding to it.  
9 It's been a challenge for everybody. But that's enough of  
10 handing out thanks. Let's see if we get to the merits  
11 here.

12 MR. ZUMBRO: Yes, sir.

13 THE COURT: I've been through most of it.

14 MR. ZUMBRO: Okay. Your Honor referred to the DIP  
15 Motion --

16 THE COURT: I have a couple of questions.

17 MR. ZUMBRO: -- as a big ticket item, and we  
18 agree, and I have a summary of the material terms of the  
19 order as well as the DIP credit facility which I'm happy to  
20 walk through, but if Your Honor would prefer to just jump  
21 to specific questions, I'm happy to do that or if you'd  
22 like me to address the U.S. Trustee's objection, which  
23 seems to me really principally focused on the question of  
24 whether the Debtor really needs the 1.5 billion dollars of  
25 availability that we're requesting authorization for today.

1 I'd be happy to hop right into that.

2 THE COURT: well, let me take a different approach  
3 for you.

4 MR. ZUMBRO: Sure.

5 THE COURT: I have -- I won't tell you that I read  
6 all 160 pages of the document including the exhibits or  
7 whatever, but I'm one of the proponents way back when the  
8 rules were changed a few years ago for the introductory  
9 statement and why it needs to be helpful to the Court and  
10 to others, and I think that the lawyers who put together  
11 this portion of all these papers did a wonderful job and  
12 then going and matching up and cross-referencing the  
13 material terms with a citation to something such as our  
14 guidelines. And again, for those of you who are not  
15 regulars here in Northern California, we've had our cash  
16 collateral guidelines in place before Delaware even stole  
17 our versions of them.

18 (Laughter.)

19 And, you know, we did it on purpose because we  
20 can see when there was a typo. We put it in there to -- if  
21 they got a typo, it means they stole ours.

22 MR. ZUMBRO: Exactly.

23 THE COURT: But that being said, there are a  
24 couple of things that jumped out at somebody who has been  
25 living with the Northern District guidelines for a while,



1 and one is perhaps more technical in nature, but I don't  
2 think that the counsel whom I know and respect, local  
3 counsel, signed -- made the certification the way it's  
4 supposed to be made because I don't think there was a  
5 highlighting of where there might be a departure from the  
6 guidelines. But I'm not here to dump on Mr. Keller. I'm  
7 really focusing on the summary that I don't hear a good  
8 explanation as to why at this point or even on a  
9 preliminary hearing basis I should be allowing the Debtor  
10 to waive the 506(c) and waiving the avoidance claims. This  
11 is a Debtor who, by everybody's expectation, before the  
12 financing -- well, obviously before the financing -- has  
13 lots of unencumbered assets, but even after the financing,  
14 will have lots of unencumbered assets, and I wasn't  
15 comfortable with just kind of on the fly saying, you can  
16 waive your avoidance actions, and you can waive your 506(c)  
17 recoveries, and you can have a nice generous carve-out for  
18 the Chapter 7 trustee who will never come into existence.

19           So my question is, why don't we have a more  
20 realistic carve-out for professionals if they are appointed  
21 in this case, adverse to the Debtor. Look, I'm not naive.  
22 It's inconceivable that this Debtor in its present  
23 situation could end up in Chapter 7, but what if there's a  
24 motion for a trustee considered and granted? What happens  
25 to the trustee's professionals? Why isn't the carve-out

1 there for all professionals? That's the one question. And  
2 maybe -- maybe, this Debtor will never have the kind of  
3 insolvency outcome that might happen, and so therefore it  
4 doesn't have to concern itself with avoidance actions. But  
5 why on the third day of the case should I even allow those  
6 to be done? Okay? That's a long way of saying I'm not  
7 comfortable until somebody makes me really comfortable with  
8 the Debtor giving up avoidance actions, 506(c) not as  
9 important, and really having no realistic ability to  
10 protect what might be, say, a trustee appointed, if there  
11 ever was a trustee. Unless I misread it, it looks like  
12 there's a \$100,000 carve-out for only a Chapter 7 trustee.  
13 Am I right? Did I read it correctly?

14 MR. ZUMBRO: You are correct on that number, yes,  
15 sir.

16 THE COURT: It's meaningless in a case like this,  
17 right? I mean you don't have to agree with me. I think  
18 it's meaningless in a case like this. So you've got to  
19 persuade me otherwise.

20 MR. ZUMBRO: Well, perhaps I could start first  
21 with the avoidance actions. I think that one might be  
22 easier. That one, just to clarify, because I think the  
23 U.S. Trustee had raised this in its objection as well. I  
24 just want to be clear that the DIP loan doesn't purport to  
25 grant a lien on the avoidance actions themselves, but

1 rather on just the proceeds.

2 THE COURT: What does that mean?

3 MR. ZUMBRO: In other words, the DIP lender  
4 couldn't control the prosecution of the action, but rather  
5 it would be part of any proceeds received from such an  
6 action.

7 THE COURT: Well, but I mean as a practical  
8 matter, it's the same thing.

9 MR. ZUMBRO: In any event, it's not going to be  
10 until the final hearing, so that's -- after a committee has  
11 been formed. The relief we're seeking today does not allow  
12 the lien to attach to any avoidance action proceeds.

13 THE COURT: Well, I didn't remember that  
14 specifically, but certainly the carve-out survives the  
15 final, right?

16 MR. ZUMBRO: That is true.

17 THE COURT: And I would hope that a Creditors'  
18 Committee might say, what about me? And you know that'll  
19 happen. So this kind of goes back to the certification. I  
20 mean I appreciate this great big long thing, and it was  
21 helpful to work through it, but those are the kinds of  
22 things that should be flagged. So look, Mr. Zumbro, if I  
23 approve it today on an interim basis and say, okay, we're  
24 going to revisit the avoidance actions at the final  
25 hearing, then we'll be facing it at the final hearing,

1 unless the lenders or the Debtors just capitulate and  
2 extend the carve-out to all the people that get their  
3 compensation --

4 MR. ZUMBRO: Just to make sure that we're speaking  
5 about the same thing. The hundred thousand dollars that  
6 you referenced earlier was for a Chapter 7 trustee, but the  
7 estate professional fee carve-out also is drafted to pick  
8 up the Committee's counsel once it's formed. So --

9 THE COURT: Well, maybe I missed it then. Let me  
10 look at it. I'm looking at --

11 MR. ZUMBRO: It's further down. I'm looking at --  
12 I guess I'm looking at the "as-filed" version of the  
13 proposed order in paragraph 10.

14 THE COURT: Well, but I was looking at the  
15 motions.

16 MR. ZUMBRO: Okay.

17 THE COURT: You know, you can't -- so -- all  
18 right. Let me try to get my way through them. Well, you  
19 know what, I've got to find the proposed order. Here's the  
20 motion. Okay. No, you know, I said before that I didn't  
21 have Mr. Kurtz' declaration, but indeed I do have it. Just  
22 a second. Okay. I don't see it unless I'm just -- my eyes  
23 are glazing over, so --

24 MR. ZUMBRO: I was looking at Docket No. 23-1  
25 which is the form of the proposed order that was filed with

1 the petitions, and the carve-out there consists of a couple  
2 of different components as well as --

3 THE COURT: All right. I'm going to catch up with  
4 you. What page?

5 MR. ZUMBRO: That's page No. 20 of 37 of Docket  
6 No. 23-1.

7 THE COURT: I do have it now. It was hiding  
8 behind one of the blue pages. Page 27?

9 MR. ZUMBRO 20, 20 of 37 of Docket No. 23-1.

10 THE COURT: Got it. Okay, carve-out.

11 MR. ZUMBRO: And so the carve-out as is typical is  
12 composed of a couple of different components including the  
13 U.S. Trustee's fees, but it's also the estate  
14 professionals, and the estate professionals is defined not  
15 only to mean the Debtors' professionals but the  
16 professionals of any committee. So there is a number, the  
17 25 million dollars, is the number that would apply post --  
18 the carve-out trigger notice for all estate professionals.

19 THE COURT: Again, I'm sorry to be nitpicking  
20 about forms of orders, but I look at motions and not form  
21 of orders and I don't think it was clear, so let me just  
22 take one second and read it in the proposed order.

23 MR. ZUMBRO: Sure.

24 THE COURT: We've got the Clerk; that's easy.  
25 We've got the U.S. Trustee. There's the Chapter 7 trustee.

1 Okay. All right. There's the committee.

2 MR. ZUMBRO: I think it's on line 17.

3 THE COURT: Yeah, I've got it. So the committee  
4 there -- all right -- so -- but do you agree with me, if  
5 somebody persuaded the Court to replace the debtor in  
6 possession with a trustee -- you know, I understand that  
7 might trigger all sorts of things, but in such a case, that  
8 trustee and professionals are not beneficiaries of the  
9 carve-out.

10 MR. ZUMBRO: I don't disagree with that really. I  
11 do think it's unlikely that this particular Debtor will end  
12 up in Chapter 7. I just think it's --

13 THE COURT: No. That isn't what I said -- Chapter  
14 11 trustee.

15 MR. ZUMBRO: Chapter 11 trustee.

16 THE COURT: I agree with you. Look, I live here  
17 in Northern California. I don't think this Debtor can go  
18 into Chapter 7 any more than anybody else can. But there  
19 are public complaints about management. You've heard it.  
20 I said this morning, it's not my job in this case right  
21 now; it's another court that's carrying all these  
22 complaints about the Debtor. But what if under whatever  
23 circumstance a party persuaded the Bankruptcy Court to  
24 appoint a Chapter 11 trustee? That trustee as I read it  
25 would not have the benefit of a carve-out. That's all.

1 Right?

2 MR. ZUMBRO: That's correct.

3 THE COURT: Okay. What do I do about it?

4 MR. ZUMBRO: Well, I think if we got to that place  
5 where a Chapter 11 trustee were appointed, I think as part  
6 of the -- whoever moved for that, and we don't think that a  
7 Chapter 11 trustee is appropriate in this case --

8 THE COURT: I understand.

9 MR. ZUMBRO: -- but if someone were to move for  
10 it, I think as part of that process, a fee structure would  
11 be put in place and professionals would be agreed to.

12 THE COURT: But the lenders wouldn't --

13 MR. ZUMBRO: We would have to get the lenders to  
14 agree to that.

15 THE COURT: Well, and it gets back to what I said,  
16 if I read it correctly, appointment of a trustee, a Chapter  
17 11 trustee would be an event of default.

18 MR. ZUMBRO: Correct. That's where I was about to  
19 go.

20 THE COURT: So the lenders -- you're right, maybe  
21 the lenders would waive and the problem is solved, but  
22 maybe not.

23 MR. ZUMBRO: That's correct. I think we have  
24 bigger problems because our whole financing structure would  
25 go into default if a Chapter 11 trustee were appointed. So

1 I guess we hadn't focused on the Chapter 11 trustee's fees  
2 as such because we would sort of have bigger problems at  
3 that point.

4 THE COURT: If I missed in the motion what you've  
5 just pointed out in the proposed order, I apologize. As I  
6 said more than once today, I'm trying to absorb an awful  
7 lot of stuff, but I look at motions before I study proposed  
8 orders, and I didn't see it. So the question then comes  
9 down to, should there be a carve-out for this hypothetical  
10 entity that nobody -- at least the Debtor doesn't ever want  
11 to have there. I guess the question is, why don't I defer  
12 that to the final hearing?

13 MR. ZUMBRO: That would be --

14 THE COURT: I mean again, I'm not -- the last  
15 thing in the world I want to do is have the lenders think,  
16 what is this crazy judge doing; he's screwing up  
17 everything. I'm not. I just want to make sure I  
18 understand what the rules are here. So if the lenders are  
19 willing to simply let that matter be visited by the final  
20 hearing, then maybe we can just go there. Do you want to  
21 talk to them or --

22 MR. ZUMBRO: I'm happy to talk with them or --

23 THE COURT: -- or see what they have to say.

24 MR. ZUMBRO: -- if they would have an issue with  
25 expanding the carve-out again.



1 THE COURT: No, I didn't even say expand the  
2 carve-out. That would be great if they did that. No, just  
3 deferring it until the final hearing.

4 MR. ZUMBRO: Deferring the question of whether the  
5 carve-out would include that -- to the final hearing. That  
6 would be fine with us.

7 THE COURT: Well, I know. The Debtor would always  
8 agree to that.

9 (Laughter.)

10 MR. HANSEN: Yes, Your Honor. Again, it's Kris  
11 Hansen with Strook, Strook & Lavan.

12 THE COURT: Well, Mr. Hansen, you know, debtors  
13 always agree to things, but the judge started thinking it  
14 was a good idea --

15 MR. HANSEN: No, I was going to make that  
16 suggestion, Your Honor. Certainly no one is going to be  
17 appointing a Chapter 11 trustee between now and the final  
18 hearing --

19 THE COURT: Well, if somebody files a motion --

20 MR. HANSEN: I would hope not, so -- yeah, so I  
21 think from our perspective --

22 THE COURT: Didn't you get one this afternoon --

23 MR. HANSEN: I think from our perspective, that's  
24 a discussion that we should take up at the final hearing.

25 THE COURT: Okay. That's solved then. All right.

1 I would like the benefit of committee input and Mr. Zumbro,  
2 straighten me out, the committee or committees, the  
3 statutory ones, are protected, and, you know, there's more  
4 people to express themselves, and I'm just not on my own  
5 going to make crazy rulings, and so I won't. We'll just  
6 defer that. And so, Mr. Zumbro, you pointed out that the  
7 avoidance action issue is also a deferred issue.

8 MR. ZUMBRO: Yes, sir. Again, I apologize. I was  
9 looking at the order again, but in paragraph 3 of the  
10 order, it says --

11 THE COURT: See, when I was a baby judge, I was  
12 taught always to read these great big long DIP motions that  
13 the lawyers present to you, and I did. Now it turns out  
14 they're sticking the zingers in the orders. I read the  
15 orders too, but I haven't read it yet because I haven't  
16 decided to grant one. So I'll take your representation  
17 that my reading of the motion and my concern about the  
18 avoidance actions is a final hearing issue as well --

19 MR. ZUMBRO: Correct.

20 THE COURT: -- and this isn't a hypothetical  
21 about a Chapter 11 trustee; it's what do the creditors  
22 think about it.

23 MR. ZUMBRO: Correct.

24 THE COURT: And they have a right to be heard on  
25 the subject, and I mean -- is the 506(c) --

1 MR. ZUMBRO: The 506(c) was also expressed to be  
2 only a matter at the final hearing, as the proposed order  
3 was drafted.

4 THE COURT: Okay. Again, for the same reason, it  
5 looked like to me as -- well, all right. Well then, with  
6 that, Ms. Kelly, did you have other DIP motion issues?  
7 Because I in effect got on the record that the substantive  
8 ones that I mentioned are going to be deferred for  
9 further -- is there anything that you want dealt with on an  
10 action item today?

11 MS. KELLY: Your Honor, I just wanted to clarify  
12 with respect to the items that Your Honor raised, which  
13 were also in our objection, about the avoidance actions and  
14 the 506(c), I also can't find these things in the order at  
15 the moment, but I had thought that I saw those things in  
16 the interim order, but then it was saying it was simply  
17 interim. Are they -- I guess my point of clarification is  
18 just -- I guess where does it say that they are not -- or  
19 does it say --

20 THE COURT: Well, maybe we need to make it more  
21 clear in the orders; that's all. I mean, again, there are  
22 a lot of talented lawyers that have put together these  
23 various orders, but we need input --

24 THE COURT: I think, Your Honor, that would be  
25 very helpful because, yeah, several people in my office

1 looked at it, and we all thought that those were somehow --  
2 or perhaps implicated. Even if they were going to be  
3 finally considered at the final hearing, they seemed to be  
4 somewhere in the interim. So I would like it to be  
5 clarified.

6 THE COURT: Well, let me Mr. Zumbro and his  
7 colleagues to accept the invitation to make sure that we  
8 just state that there's no 506(c) waiver and no avoidance  
9 action lien issue in the interim order.

10 MR. ZUMBRO: And I can certainly commit to that on  
11 the record, Your Honor. I think it's consistent with the  
12 motion as well, which makes it clear in the chart that  
13 talks about the guidelines, that both of those issues are  
14 subject to the entry of a final order. So I'm happy to  
15 represent on the record as well.

16 THE COURT: And there's no zinger in here or  
17 anywhere, like a waiver of normal statutory deadlines on  
18 things like avoidance actions and other actions. Again,  
19 that happened in Case No. One where right on day one, I was  
20 asked to approve a rather short deadline for, you know,  
21 statute of limitations to be tolled. You know, Congress --  
22 at the starting point, people were telling me, we'll have  
23 it all done in 30 days or 60 days. That's just not -- it's  
24 not here.

25 MR. ZUMBRO: No, sir. I don't think there are any

1 other zingers in here.

2 THE COURT: All right. I have a "no-zinger" rule.

3 MR. ZUMBRO: No zingers.

4 THE COURT: Okay. Ms. Kelly, are you okay? Are  
5 you on board?

6 MS. KELLY: Your Honor, would you like me to step  
7 to the podium to make further --

8 THE COURT: Well, I said before you have to, but  
9 here I've been talking to you back and forth, so go ahead.

10 MS. KELLY: Okay. We did have another issue which  
11 we raised in our objection, and in fact, it was sort of the  
12 preliminary issue to all this, and I think -- I did, as I  
13 say, have a conversation last night with counsel, but I  
14 think to the extent that the information is not in the  
15 motion papers, it would be useful to put it on the record  
16 so that Your Honor can consider whether there is sufficient  
17 evidence on the record on this issue. And it is really the  
18 basis for the Debtor saying it needs, as an urgent matter  
19 under Rule 6003 at this stage the ability to borrow the 1.5  
20 or 1.6 --

21 THE COURT: It's one and a half billion --

22 MS. KELLY: It's one and a half billion at this  
23 stage, particularly given that the budget is showing cash  
24 flow positive as of week four, and we thought that that was  
25 something, just as a preliminary matter, that should really

1 be -- I understand the Debtor has some things to say about  
2 that, but that that should really be on the record in this  
3 preliminary hearing before the Court would rule on that.

4 MR. ZUMBRO: I'm happy to address that, Your  
5 Honor.

6 THE COURT: Okay.

7 MR. ZUMBRO: If I could.

8 THE COURT: Yeah. Again, this is not -- in my  
9 mind, I kind of saw the way you broke it down, the 1.5, and  
10 the three -- and then the tail end of the -- the half a  
11 billion for the draw. So how do we need to have this whole  
12 one and a half right now?

13 MR. ZUMBRO: I think the evidence -- I would like  
14 to point Your Honor to the 13-week budget, which is  
15 attached as Exhibit C to the DIP motion, which is Docket  
16 No. 23-3. And just to walk through it --

17 THE COURT: Wait a second. I'm catching up with  
18 you.

19 MR. ZUMBRO: The numbers are very small, so --

20 THE COURT: Yeah, they are, but, you know, they  
21 ought to have an elder abuse section here for older judges  
22 that have to read these things.

23 MR. ZUMBRO: -- I apologize. We should supply  
24 magnifying glasses for older lawyers too, so --

25 THE COURT: Yeah, too. It is pretty microscopic.

1 All right. Go ahead.

2 MR. ZUMBRO: So the U.S. Trustee raises in their  
3 objection the -- and this is all in the Wells declaration,  
4 but Forecast Week Four, they say that the Debtors have an  
5 ending cash balance of approximately 1.6 billion as of  
6 February 23, 2019. And that is true; that's the number at  
7 the very bottom of the fourth column --

8 THE COURT: Yeah, I see it.

9 MR. ZUMBRO: 1.6 billion. So we agree with that,  
10 but the real point is, what you have to do is you have to  
11 back out -- that 1.6 billion assumes -- if you go to the  
12 first column on the far left side -- it assumes 750 million  
13 dollars of borrowings on week one in order -- that's this  
14 week, right? So you reduce the 1.6 billion, if we aren't  
15 given any authority to borrow today, you reduce the 1.6  
16 billion by that 750 million.

17 THE COURT: No, it's 1.5 billion.

18 MR. ZUMBRO: That leaves you with --

19 THE COURT: No, it's 1.5 billion.

20 MR. ZUMBRO: No, I'm sorry. This is the cash  
21 balance number.

22 THE COURT: Oh, the cash. Okay. So if the Debtor  
23 doesn't borrow the 750 --

24 THE COURT: If they don't borrow the 750 in Column  
25 One this week, that leaves you with 850 million dollars.

1 And if I could point Your Honor to the next page of the  
2 exhibit, you need to take out from the 850 approximately  
3 370 million dollars which is corporate cash. In other  
4 words, we have two different Debtors here; we have the  
5 Utility and Corp. So the 370 on the first number of the  
6 first column --

7 THE COURT: I'm not seeing -- oh, the first  
8 number. Oh, yeah, okay, cash balance Corp.

9 MR. ZUMBRO: Cash balance Corp., correct. So  
10 that's the cash which is up at the parent corporation,  
11 which is, as Your Honor knows, is a separate Debtor. So  
12 that cash is to be used for Corp.'s purposes, and then you  
13 need to take out -- without that 370, you're down to 480.  
14 And then you need to take out customer deposits, which is  
15 two lines down, another 250 million dollars. So from 480,  
16 with minus 250, you're down to 230 million dollars, which,  
17 Your Honor, is less than the petition date net cash amount  
18 of 240 million dollars.

19 THE COURT: Well, it's that 670, right, available  
20 cash? Utility - 670?

21 MR. ZUMBRO: Well, it's the 670, but you need to  
22 back out the -- it's 670, assuming you borrowed the 750 at  
23 the beginning, right. So you need to back that out, and  
24 then you back out the 250 and the 370 and you're down to  
25 230 million.



1           THE COURT: Yeah. I'm not quite reading it that  
2 way because I'm looking at -- you're talking about week  
3 one, right?

4           MR. ZUMBRO: Correct.

5           THE COURT: Okay. Just look at the last three  
6 lines, available cash 670; DIP availability 750, and  
7 therefore ending Utility is 1.4, but if you just don't have  
8 any DIP -- if DIP availability is zero, then the ending  
9 Utility is 670. That's the net number. I didn't take  
10 these other numbers out.

11           MR. ZUMBRO: The other component of that, which is  
12 reflected as the 450 -- the overall point, Your Honor, is  
13 that there is massive liquidity swings in this company  
14 including in the month of January, those referred to in the  
15 Wells declaration, there was almost a billion dollars of  
16 liquidity swing. And so the overall point I'm trying to  
17 convey is, we actually do need the money. There is  
18 sufficient cushion if we assume we borrow 750 million  
19 dollars, but there's not sufficient cushion to cover all of  
20 the exigencies that could occur between now and week four.  
21 And so there is a certain amount of cushion built into the  
22 liquidity analysis, but the point I was trying to make to  
23 the U.S. Trustee's objection is, you can't just look at the  
24 1.6 billion of closing cash in isolation; you have to look  
25 at the components of it, the main one being the 750 of

1 borrowing and the 250 of other people's money effectively  
2 deposited.

3 THE COURT: Well, let me rephrase it, a simple  
4 question. If the Debtor has the 1.5 billion revolving  
5 approved and doesn't draw some of it, it still has to pay  
6 some carrying costs, but if it draws it, it goes up, right?  
7 Am I right or wrong?

8 MR. ZUMBRO: You're right. I'm glad you asked  
9 that question.

10 THE COURT: Okay. So if the Debtor draws down a  
11 half a billion dollars, it's interest carrying -- or the  
12 carrying costs will go up accordingly.

13 MR. ZUMBRO: Correct. I'm glad you asked that  
14 question because that's another important --

15 THE COURT: Okay. So it's another way of saying  
16 if you leave a half a billion in the bank and you don't  
17 draw it, you might be paying some carrying charges but not  
18 large amounts.

19 MR. ZUMBRO: Correct. And that's why we  
20 structured it as a revolving credit facility. So what  
21 we're seeking today is the approval to borrow up to 1.5  
22 billion. We don't intend to draw it down unless we  
23 actually need it, because it's more expensive to draw it  
24 down. It's relatively much less expensive to just have the  
25 undrawn commitment.

1           THE COURT: So if I were completely stupid and  
2 said, well, why don't we just, you know, do this on a  
3 weekly basis and I allow half a billion and then another  
4 half a billion. I mean it's crazy, but think about it, in  
5 an operating company, but that essentially is what would  
6 happen, right? You would be back here every time I needed  
7 you to come back to tell me you need more money.

8           MR. ZUMBRO: Correct, and just given the nature of  
9 the operations, we don't have the luxury of -- you know,  
10 even if we were to do something on an emergency hearing  
11 basis, there are times when there's hundreds of millions of  
12 dollars of swing --

13          THE COURT: No, I understand. Of course, I do,  
14 but then, again, because these numbers are so hard to  
15 follow, and if your client, the principals, want to help  
16 you, that's okay, what week in the forecast are you  
17 anticipating the final hearing? I mean I didn't talk to  
18 Mr. Karotkin about that earlier, but I mean, is the final  
19 hearing going to be 20 days from now or 60 days from now?  
20 What do you folks have in mind?

21          MR. ZUMBRO: Well, we would like to get it as  
22 early as possible within the Court's schedule that we've  
23 set.

24          THE COURT: No, my schedule is good, whatever.  
25 Well, no, but I mean we can do it -- what's the rule? The

1 rule is at least 15 days, right?

2 MR. ZUMBRO: Correct.

3 THE COURT: And we probably ought to build in a  
4 little more than that.

5 MR. ZUMBRO: Correct, so we were thinking 30 days-  
6 ish, but we have to do it by April 15<sup>th</sup> under the terms of  
7 our proposed DIP credit agreement. The final order needs  
8 to be entered by April 15<sup>th</sup>. So we need to work on it.

9 THE COURT: Well, but you don't have to draw the  
10 money all by then, right? I mean you obviously don't have  
11 to draw the money by then.

12 MR. ZUMBRO: The overall final approval needs to  
13 have been obtained by that date.

14 THE COURT: No, I got it. In other words, if on  
15 April 14<sup>th</sup>, I sign a final DIP order, then the Debtor hasn't  
16 defaulted that condition, but you haven't necessarily drawn  
17 the money down.

18 MR. ZUMBRO: Correct. We will only draw the money  
19 that you approve today as and when needed.

20 THE COURT: We're back to the Bank versus Straw  
21 *(Phonetic)* Yeah. Okay. Well, I mean this is turning into  
22 my trying to speculate on when will this final hearing be,  
23 and what to do about this cash flow. Ms. Kelly, I think  
24 the Debtor has made a point here. I mean it's not as  
25 though -- well, I'd like to be a glass half full person

1 here -- if I authorize the 1.5 billion, they're not going  
2 to spend it all next week. They're going to have it  
3 available, but if they're prudently managing their  
4 finances, then it makes no sense to have to go back every  
5 time you have to get a draw-down, and it does sound like an  
6 awful lot of money. But if I approve it on an interim  
7 basis, then they're free to operate. They can't pay claims  
8 they can't pay. They can't give the money away. They  
9 can't upstream dividends to the parent. So what are you  
10 worried about if there's a little bit of a -- you know, a  
11 little bit of room in this, and this condition doesn't  
12 happen?

13 MS. KELLY: Well, Your Honor, I don't think we  
14 were looking at it that -- in sort of that close of a  
15 fashion as far as we're worried about, you know, having ten  
16 dollars versus five dollars. I think the point was simply  
17 that in looking at the budget and looking at the motion,  
18 and there was a lot of paper here too, but we didn't see  
19 the reasons, you know, what would happen if we didn't get  
20 this, you know, from the starting gate and why we needed  
21 this money when we already had some money and were showing  
22 money would be there. So we wanted to see further evidence  
23 on the record, and obviously it's up to Your Honor whether  
24 that evidence is sufficient to issue the --

25 THE COURT: Well, again, it's trying to absorb a

1 very complex subject that a lot of very professional  
2 financial people have worked on. I think what I have to do  
3 is stick more with the business as usual model. If, God  
4 forbid, two weeks from now there was some additional  
5 catastrophe that caused a huge draw or drain on cash, we'd  
6 have to be back here anyway. It seems like a huge amount  
7 of money relative to the total. So it's -- if I read it  
8 correctly, if you forget for a moment the portion of the  
9 credit facility that's dedicated to letters of credit type  
10 things, it's a fund of money that the Debtors can draw on  
11 that at least -- it's five billion or four a half billion;  
12 I've forgotten, but the point is your goal here is to draw  
13 down an amount for the first time and then we look at it  
14 again, and we have to hope that the managers of the company  
15 are not drawing down more money than they need to, to run  
16 up the costs.

17 MR. ZUMBRO: Exactly, Your Honor. I mean that's  
18 why one of the fundamental important structures of the DIP  
19 facility was to have as big of a revolving facility  
20 component, which is --

21 THE COURT: Yeah. No, I know how it works.

22 MR. ZUMBRO: Right. So that was important.

23 THE COURT: Okay. Is there another -- did you --  
24 who's back there? Is that Mr. Pascuzzi? Yeah.

25 MR. PASCUZZI: I didn't mean to interrupt, Your

1 Honor, but - Paul Pascuzzi for -- co-counsel with the  
2 Attorney General's Office for the Department of Water  
3 Resources. We had filed a preliminary objection. Our  
4 concern was insuring that the California Energy Crisis  
5 refunds escrow money and interest that goes to rate payers  
6 is not part of the DIP collateral. And it was already  
7 carved out, but the language basically we were going back  
8 and forth on, and I just wanted to confirm and have counsel  
9 confirm that the revision to Schedule A for that  
10 carve-out --

11 THE COURT: Just explain it again for me and the  
12 rest of you that might not understand.

13 MR. ZUMBRO: Sure. If I could, Your Honor, there  
14 are several categories of -- what's referred to as excluded  
15 property --

16 THE COURT: Right.

17 MR. ZUMBRO: -- which was largely -- we had  
18 several constructive discussions with counsel for the CPUC.  
19 We wanted to make sure a lot of the CPUC directed programs  
20 got those funds which are used for those who are not going  
21 to be part of the DIP collateral. We worked with that to  
22 carve out, and one of the -- there's a schedule that sort  
23 of goes through all of the different statutory and directed  
24 programs, and then this gentleman's client wanted to have  
25 certain language to clarify on behalf of the California

1 Department of Water Resources. That was carved out and  
2 there was language which we believe satisfied the  
3 objection.

4 THE COURT: No, I understand that, but just for my  
5 purpose, and Mr. Pascuzzi, you help me too, but for this  
6 carve-out, this is Debtors' asset, right? This would be  
7 subject to a lien; this isn't like somebody else's  
8 property, or is it?

9 MR. ZUMBRO: There's a mixture, sir. There's some  
10 that the Debtor collects. I think one of the counsel who  
11 was talking earlier for the CA's, there are certain things  
12 that the Debtor bills and collects on behalf of others.

13 THE COURT: So they wouldn't be on it in the first  
14 place.

15 MR. ZUMBRO: Correct.

16 THE COURT: You can't lien what you don't own,  
17 right?

18 MR. ZUMBRO: I don't disagree with that, but  
19 people like to have comfort sometimes on those types of  
20 issues. So there are certain things that fall into that  
21 category. There are certain things that are held in trust  
22 for others.

23 THE COURT: No, I understand.

24 MR. ZUMBRO: And this particular issue is a trust  
25 asset, and so we will just clarify the language.



1           THE COURT: So are you okay with the clarifying  
2 language?

3           MR. PASCUZZI: Yes, Your Honor. I just want to  
4 confirm on the record that we did agree to language and  
5 revise the scheduling.

6           THE COURT: No, that's good. All right.

7           MR. PASCUZZI: And this is for the interim  
8 hearing. We're reserving rights as to the final hearing.

9           THE COURT: No, everybody is. Anyone else in the  
10 courtroom or on the phone that wants to be heard on the DIP  
11 motion?

12           (No response.)

13           Okay. Well, I'm satisfied with -- oh, wait a  
14 minute --

15           MR. ZUMBRO: Sure. There was one other issue,  
16 Your Honor, that we have also tweaked some language to  
17 address the California Workers' Compensation Fund where  
18 there were some issues where they were asserting a  
19 statutory lien, and we had put some language in it that was  
20 satisfactory to both them and the DIP lenders, and it was  
21 further revised slightly this morning, but I can't seem to  
22 find that black line, but I believe the language was  
23 satisfactory to both.

24           THE COURT: Well, if you want to state it on the  
25 record, you can, but if you want to just take care of it

1 and have an agreed -- you know, counsel to sign off on the  
2 form of order, I'm going to go either way. I don't need  
3 you to put it on our record because it'll be on the order  
4 that we sign, but if you or counsel want it put on the  
5 record, we'll do it.

6 MR. ZUMBRO: I can represent that the language  
7 that we discussed earlier will be reflected in the final  
8 order.

9 THE COURT: And do I have your name on the record?

10 MR. PIDONI: You do not yet, Your Honor, Richard  
11 Pedoni with Nixon Peabody on behalf of the California Self  
12 Insurance Fund. And the two points were, in addition to  
13 what's in the revised order that was submitted very early  
14 this morning by the Debtors, we had two additional  
15 requested changes. One would cap the amount of  
16 subordination of what we believe is a valid lien at 1.6  
17 billion, and the other matter is concerning timing, and  
18 we'll make sure that those are in the final order. And we  
19 appreciate the Debtors working with us on these issues.  
20 They are very cooperative.

21 THE COURT: Well, I appreciate your coming  
22 together, all of you working together on these complicated  
23 matters. All right. Well then, I'm going to -- again  
24 hearing no more complaints by anyone, I'm going to grant  
25 the Debtors' motion on the DIP financing as modified with

1 all of these comments, and again, Mr. Karotkin told me  
2 earlier that, you know, there's a desire to get these  
3 orders in a hurry, but you've got to do your homework too,  
4 to get them agreed, but because when I get an order  
5 uploaded, you know, later today, I just have to trust that  
6 you've done it, and I do trust you, but that's what you've  
7 got to do. And, you know, I'm not going to say, let's do  
8 it differently next time because hopefully, there won't be  
9 a next time. But I did rely on a very, very complicated  
10 motion, and it's not helpful to then find them in a form of  
11 order. In fact, under our procedures, you're not even  
12 supposed to submit proposed orders, but obviously we needed  
13 it in this case, and finally it was a helpful exercise.

14           So unless there's something else that anyone  
15 thinks we're supposed to take up, I want to take up with  
16 Mr. Karotkin or whoever else wants to do it, the scheduling  
17 of various things coming up down the road.

18           MR. ZUMBRO: Thank you, Your Honor.

19           THE COURT: Thank you, Mr. Zumbro. So we have  
20 several final hearings. We have our regular calendars.  
21 We've already talked about the one adversary proceeding.  
22 Why don't you tell me -- you know our open dates, and if  
23 those don't fit, we'll make them fit.

24           MR. KAROTKIN: You reserved February 26<sup>th</sup> and  
25 February 27th?

1 THE COURT: Right.

2 MR. KAROTKIN: Next month, so my suggestion would  
3 be, if we could have the final hearing on all of the first  
4 days on February 27<sup>th</sup>.

5 THE COURT: You prefer the second of the days, the  
6 Wednesday?

7 MR. KAROTKIN: Yes.

8 THE COURT: Shall we do it in the morning, though,  
9 just so we have time?

10 MR. KAROTKIN: Yes. Sure.

11 THE COURT: So for all of the final -- all --  
12 everything that we covered today.

13 MR. KAROTKIN: All of them, yes, sir.

14 THE COURT: And is there sufficient time to give  
15 notice?

16 MR. KAROTKIN: Yes, sir.

17 THE COURT: I guess so.

18 MR. KAROTKIN: Yes.

19 THE COURT: Well the rules, as we talked about,  
20 for things like DIP financing, we have a rule that says  
21 what you have to do. Some of the others are kind of, you  
22 know home made, but I think -- I don't want to have one of  
23 these last-minute, night-before 8:00 o'clock in the  
24 morning, so we need to get a deadline for the Debtor to  
25 give notice of the final hearing, and then that notice I

1 think should state when objections should be filed. So  
2 make me a proposal.

3 MR. KAROTKIN: Can we give notice by Monday?

4 THE COURT: That's one of the things you get to do  
5 as lead counsel, is you get somebody else to --

6 MR. KAROTKIN: I've got to speak to my attorney.

7 (Laughter)

8 THE COURT: No, no, you get somebody else to  
9 commit to when you're going to do something by a deadline.

10 (Counsel confer.)

11 MR. KAROTKIN: Your Honor, I think we can serve  
12 everything by Monday, close of business Monday.

13 THE COURT: So Monday is --

14 MR. KAROTKIN: The 4<sup>th</sup>.

15 THE COURT: The 4<sup>th</sup>. The day after the Super Bowl,  
16 right?

17 MR. KAROTKIN: Yes.

18 THE COURT: Okay.

19 MR. KAROTKIN: If we have the objection deadline  
20 on the 20<sup>th</sup>?

21 THE COURT: Okay, that's fine. Oh, again, I tell  
22 you what. If anybody in the courtroom or on the phone  
23 wants to suggest something is wrong or something you don't  
24 like about that suggestion, I'll take his suggestion and we  
25 will say that the Debtor gives notice of all the various

1 final hearings that we've talked about no later than this  
2 coming Monday, February 4, and that objections need to be  
3 filed by February 20<sup>th</sup>. And we'll have a hearing on  
4 February 27<sup>th</sup> at -- well, let's do it like we did --

5 (Court and Clerk confer.)

6 Do you want to do it as early as 9:30? That's  
7 okay with me.

8 MR. KAROTKIN: Sure.

9 THE COURT: Okay. 9:30. So do we have all the  
10 dates? I mean I'm just thinking; did we cover them all?

11 MR. KAROTKIN: I think we did.

12 THE COURT: Well, that's also the day we're  
13 doing -- no -- yes, that's the day we're doing the  
14 adversary proceeding, right?

15 COURTROOM DEPUTY: Yes, at 1:30.

16 THE COURT: Yeah. I'm just -- I mean I realize  
17 there are a lot of things that you can't know are going to  
18 be coming up.

19 MR. KAROTKIN: Would you prefer to do it the day  
20 before?

21 THE COURT: No, no, no. I'm asking a different  
22 question. You and all your colleagues have had your hands  
23 full with all these things, but, you know, there might be  
24 several more things coming down the pike. Do you  
25 anticipate or do you know now what might be coming in the

1 first few coming weeks that we should anticipate, or --

2 MR. KAROTKIN: No.

3 THE COURT: I mean you could get 15 motions to do  
4 something tomorrow, but you also might know if there's one  
5 that's coming up, because frankly what that means to me is  
6 to think that well, you know, we gave you two days early in  
7 the month, and there's hardly anything there. That's not  
8 to say there won't be more things under shortened time.

9 MR. KAROTKIN: But I think that would be too quick  
10 for -- to give notice.

11 THE COURT: No, it would be generally, but all I'm  
12 saying is if -- well, never mind. I'm -- experienced  
13 lawyers know how to get shortened time. We've made the  
14 regular PG&E special calendar dates available. If we  
15 haven't yet got them posted on our website, it's because my  
16 staff and I have been working here, but we will have the  
17 dates there for any matter that's PG&E related that any  
18 lawyer believes should be heard, and if it's to be heard on  
19 an expedited basis, that lawyer needs to comply with the  
20 procedures for shortening time or get a stipulation from  
21 the other side, and I'm just asking you, if you know of  
22 anything -- well, I'll give you an example that we both  
23 know now. It was about 24 hours ago when I learned that --  
24 that the motion for summary judgment -- I mean, sorry, for  
25 preliminary injunction was filed. So, okay, it's something

1 to think about. So I think about preparing for it and  
2 using our resources internally to deal with it, and if you  
3 tell me well, there's a great big monster motion coming  
4 from somebody that will probably be set on that same date,  
5 it's helpful to know, but --

6 MR. KAROTKIN: I'm not aware of anything, sir.

7 THE COURT: Okay. Well then I'm prepared to  
8 conclude the formal part of the hearing, but I did --

9 MR. KAROTKIN: Before you do so, can --

10 THE COURT: Yeah, sure. You go.

11 MR. KAROTKIN: I would just like, if we could, to  
12 review the motions and the orders that were submitted today  
13 and the status of where there will be modifications made,  
14 so we're all on the same page.

15 THE COURT: Okay. Well, I hope so.

16 MR. KAROTKIN: Okay. We're modifying the joint  
17 administration order in accordance with your request.  
18 We've done it and we've furnished a copy to the U.S.  
19 Trustee already and to --

20 THE COURT: And Mr. Busby has already met with  
21 someone and is talking to some people. I think we've got  
22 that under control.

23 MR. KAROTKIN: Yes, so I think that's pretty much  
24 finished. The creditor matrix --

25 THE COURT: And by the way, there's no further



1 hearing on that.

2 MR. KAROTKIN: Correct. The creditor matrix,  
3 there were no objections.

4 THE COURT: Correct.

5 MR. KAROTKIN: The motion to extend time to file  
6 schedules we've revised in accordance with your ruling and  
7 have given a copy of that revised order to the U.S.  
8 Trustee.

9 THE COURT: And that will come -- that is not the  
10 kind of order that's I need this afternoon.

11 MR. KAROTKIN: No. But that should be finished.

12 THE COURT: Ms. Kelly has signed off on it and  
13 we're done with that, right, I agree. Okay.

14 MR. KAROTKIN: The oversized -- I'm skipping the  
15 oversized briefing. The responsible individual, no  
16 changes. Cash management, we're addressing the 345(b)  
17 waiver deferring that, deferring consideration and granting  
18 the waiver until the final hearing.

19 THE COURT: Right.

20 MR. KAROTKIN: And we've given a copy -- we've  
21 revised that and given a copy to the United States  
22 Trustee's Office. The insurance motion, I read into the  
23 record, there's a couple of changes. No one else has to  
24 see that, so that should be ready to go and uploaded.

25 THE COURT: And that's done. There's no further

1 hearing on that.

2 MR. KAROTKIN: Right. The claims agent, I believe  
3 Mr. Busby is handling that.

4 THE COURT: Well, he's already talked to the  
5 agent.

6 MR. KAROTKIN: Exactly.

7 THE COURT: And I think there was a question that  
8 was presented to me by Mr. Busby for the Court during the  
9 break, that had to do with the indemnity language --

10 MR. KAROTKIN: Yes.

11 THE COURT: -- but you and I talked about it.  
12 The claims agent has agreed to a change.

13 MR. KAROTKIN: Yes, sir.

14 THE COURT: So that will be reflected and  
15 uploaded.

16 MR. KAROTKIN: Okay. Good.

17 THE COURT: And that order should be signed  
18 promptly too for the benefit of the claims agent.

19 MR. KAROTKIN: Okay. The Exchange Operator  
20 Motion, there were no changes. The Operational Integrity  
21 Motion, there were no changes. The Lien Claimants' Motion,  
22 there were no changes. The taxes motion, there were no  
23 changes. The Customer Programs Motion, there were a couple  
24 of changes, and we can represent that counsel for the  
25 parties who raised those changes have agreed to the form of

1 order that we can upload.

2 THE COURT: But, stop there for a minute. Even  
3 the taxes motion, that is the subject of a further hearing,  
4 and --

5 MR. KAROTKIN: Yes.

6 THE COURT: -- and so is the customer --

7 MR. KAROTKIN: Yes.

8 THE COURT: Yeah, okay. Well, I mean we were  
9 identifying some that were done. Now these are -- we're  
10 identifying some that are going to come back to visit us  
11 next time.

12 MR. KAROTKIN: Exactly. Employee wages, No. 14,  
13 no changes. The NOL Motion, the changes that we discussed  
14 on the record have already been made.

15 THE COURT: All right.

16 MR. KAROTKIN: Then the DIP financing motion --

17 THE COURT: And you -- it was your suggestion that  
18 the NOL Motion should get -- should move quickly. We  
19 should go on that quickly. Again, keep in mind, when we  
20 break today, some of us have to figure out, now what do we  
21 do, and one of the things that I need to do with my staff  
22 is to make sure we can turn these orders around -- not that  
23 we can't do it; we want to be ready for you to do it.

24 MR. KAROTKIN: Yes.

25 THE COURT: And that's -- for reasons that are not

1 clear to me, but I'll trust you, that's a high priority  
2 item.

3 MR. KAROTKIN: Yes.

4 THE COURT: That's a quick front burner order.  
5 Fair enough?

6 MR. KAROTKIN: Yes, sir.

7 THE COURT: Okay. What's next?

8 MR. KAROTKIN: I think that covers it.

9 MR. ZUMBRO: I think it's just the DIP Motion,  
10 which we will upload.

11 THE COURT: Oh, the DIP. Well, the sealing, we --  
12 I mean other than the fact that Ms. Kelly objected, that's  
13 a done deal. No further hearing. And the DIP Motion,  
14 we've talked about the schedule. Okay. And that needs to  
15 be approved too. Please make sure that you are able to get  
16 sign-off, if you can, by the principal players who have  
17 been heard on this. You know, I'm going to take your word  
18 on relatively minor things, but these are big ticket items  
19 that I want to make sure -- and, you know, when my Clerk  
20 and I look at our uploaded order, we like to see the name  
21 of, you know, somebody who was on the other side, and we're  
22 good to go; we will sign off on it.

23 MR. KAROTKIN: But I just want to make clear, on  
24 the DIP order, for example, there are no changes and  
25 everyone is finished with it.

1 THE COURT: Yes, that's true.

2 MR. KAROTKIN: Yeah.

3 THE COURT: Well, I mean there are -- I mean if  
4 you -- well, I mean --

5 MR. PEDONE: Richard Pedone. I do need to need to  
6 see the final changes. I can respond within 15 to 20  
7 minutes this afternoon.

8 THE COURT: So just sign off on the form.

9 MR. PEDONE: Yes, I will. I'm available.

10 MR. KAROTKIN: Oh, Your Honor, in connection with  
11 the second-day hearing, if there are objections filed, can  
12 we submit responses by the 25<sup>th</sup>?

13 THE COURT: (Laughing). Do I have to read them?

14 MR. KAROTKIN: I think you'll enjoy them.

15 THE COURT: I'm sure. Oh, I'm sure I will.

16 (Laughter.)

17 All right. Yes, okay, the 25<sup>th</sup> response.

18 MR. KAROTKIN: Okay.

19 THE COURT: What do you have for me today, Ms.  
20 Kim?

21 MS. KIM: Good afternoon, Your Honor. Jane Kim,  
22 Keller and Benvenutti.

23 THE COURT: Yeah, I know your home, but I want  
24 you to say it again. What do you have?

25 MS. KIM: On behalf of the Debtors. I spoke with

1 Ms. Parada briefly yesterday, and she had mentioned that  
2 Your Honor might want to discuss as housekeeping the manner  
3 of things like notices of hearings and hearing binders.  
4 And I tried to -- I was hoping that we would be able to  
5 just do that for a couple of minutes and then I don't want  
6 to keep you --

7 THE COURT: Well, I tell you what. I don't want  
8 to keep all the counsel here. I'll ask Ms. Parada to be in  
9 touch with you.

10 MS. KIM: That would be fine.

11 THE COURT: It's not a big deal.

12 MS. KIM: No.

13 THE COURT: But again, I've already said, thanks  
14 to a lot of people and to you too Ms. Kim, and everybody in  
15 your office. Everybody must have been doing a very  
16 horribly difficult job because the little piece of it we  
17 get is enough to be mind boggling, and you all did a very  
18 excellent job of laying it all out and presenting it for  
19 me. So thank you to everybody.

20 MS. KIM: Thank you, Your Honor.

21 THE COURT: Now the last thing on my agenda is  
22 this morning I said at the end of the work time on the  
23 motions, I'd see if anyone else wants to be heard, just  
24 general comments. So I don't -- I'll take a pause. Is  
25 there anyone particularly representing a creditor or an

1 individual person who is in the courtroom or in the  
2 overflow courtroom that wants to be heard? Just make a  
3 statement on the record.

4 (No response.)

5 How about on the phone, anyone on the phone?

6 (No response.)

7 All right. Well, thank you everyone for putting  
8 in a long day and we appreciate your time and I look  
9 forward to seeing the orders.

10 ALL COUNSEL: Thank you, Your Honor.

11 THE COURT: Have a good day. Thank you.

12 (Whereupon, the proceedings are concluded at 3:17  
13 p.m.)

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CERTIFICATE OF TRANSCRIBER

I certify that the foregoing is a correct transcript from the digital sound recording of the proceedings in the above-entitled matter.

DATED: February 5, 2019

By: \_\_\_\_\_/s/ Jo McCall\_\_\_\_\_